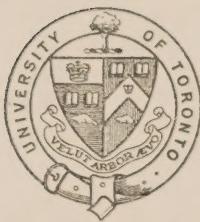




3 1761 11701901 8

R34736



Presented to  
The Library  
of the  
University of Toronto  
by  
Mrs. W.R. Walton, Jr.

CAI  
Z 1  
- 57 P21

cage

Canada. Royal commission on price  
spreads of food products.

Hearings. v. 6-7, 1958.

1959



Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761117019018>





*Mr. Walton*



**ROYAL COMMISSION  
ON  
PRICE SPREADS  
OF FOOD PRODUCTS**

**HEARINGS**

**HELD AT**

**WINNIPEG,**

**MAN.**

**VOLUME No.:**

*6*

**DATE:**

**APR 17 1958**

**OFFICIAL REPORTERS**  
ANGUS, STONEHOUSE & CO. LTD.  
371 BAY STREET  
TORONTO  
EM. 4-5773                    EM. 4-5865





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 742 -

ROYAL COMMISSION ON PRICE SPREADS  
OF FOOD PRODUCTS

---

Proceedings before the Royal Commission on Price Spreads of Food Products resumed at 10 a.m. on Thursday, April 17th, 1958, at Winnipeg, Man., et seq.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton  
Mr. J. Howard MacKichan  
Mr. Romeo Martin  
Mr. W. Malcolm Drummond  
Mr. Cleve Kidd  
Mr. Bernard Couvrette

Secretary - John Dawson

Assistant-Secretary - A. A. Caron

---





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

APPEARANCES

Page

Department of Agriculture & Immigration

743

Hon. C. L. Shuttleworth

Dr. James R. Bell

Mr. L. B. Kristjanson

Fishermen's Representative

812

Mr. John Cowan

Manitoba Federation of Agriculture and  
Co-Operation

842

Mr. C. C. Dixon

Mr. R. E. Moffat

Manitoba Pool Elevators

Mr. R. E. Moffat

Mr. D. W. Richmond

Manitoba Dairy & Poultry Co-Operative Ltd.

Mr. J. T. Monkhouse

Manitoba Farmers' Union

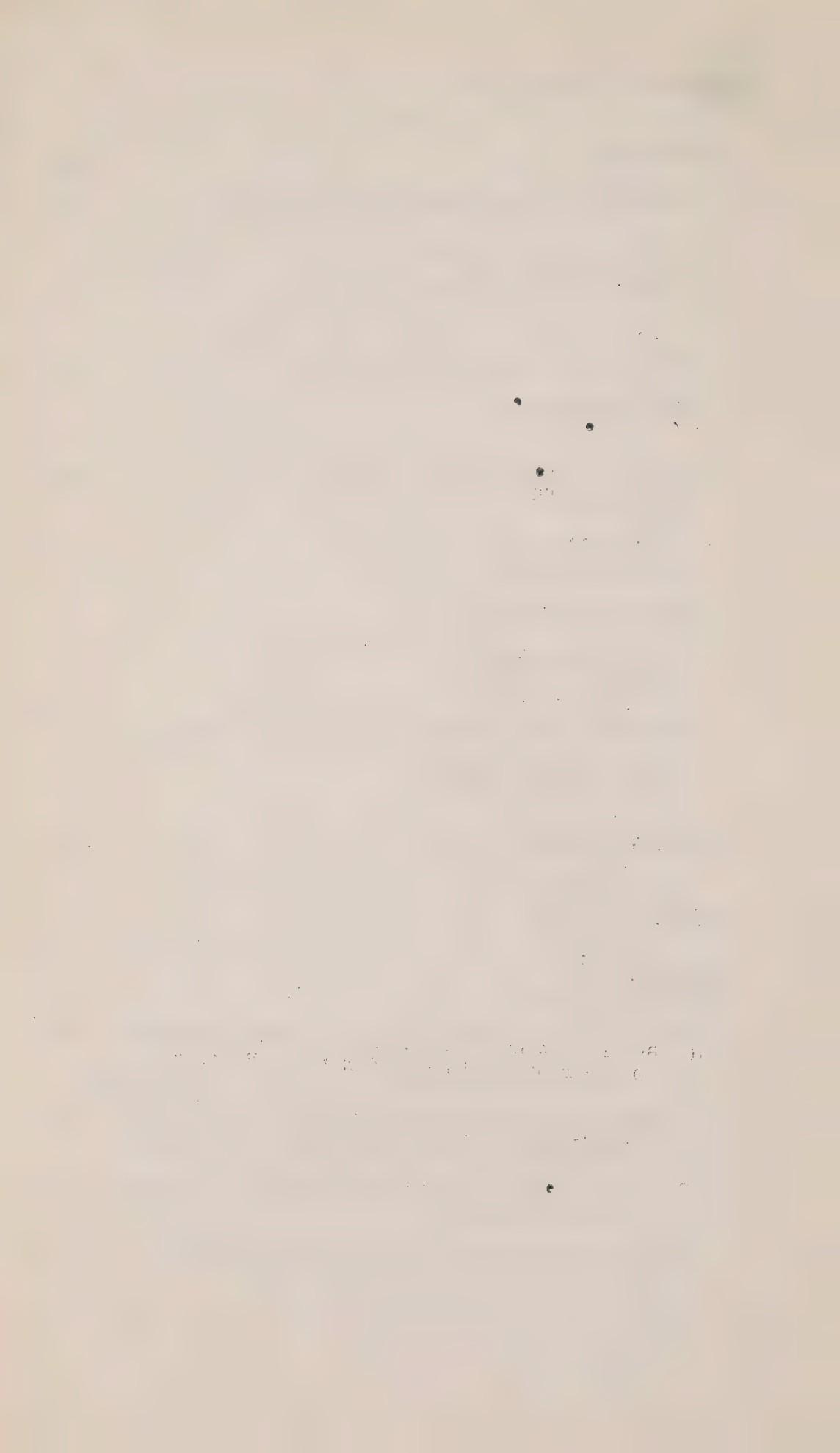
887

Mr. Patterson

Mr. Galonsky

EXHIBITS

- |    |   |     |
|----|---|-----|
| 15 | Brief of the Province of Manitoba, Department of Agriculture and Immigration. Also statement delivered by Hon. C. L. Shuttleworth | 750 |
| 16 | Brief on behalf of the Manitoba Government Department of Mines and Natural Resources  | 801 |
| 17 | Brief of the Manitoba Federation of Agriculture and Co-Operation  | 842 |
| 18 | Submission by the Manitoba Farmers Union  | 916 |





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 743 -

SUBMISSION OF  
DEPARTMENT OF AGRICULTURE AND IMMIGRATION

Appearances:

Hon. C.L. Shuttleworth	-	Minister
Dr. James R. Bell	-	Deputy Minister
Mr. L.B. Kristjanson	-	Extension Economist

---

THE CHAIRMAN: You will come to order. We will open the Manitoba hearings of the Royal Commission on Price Spreads of Food Products. We are very happy to have arrived in the province of Manitoba. It is just like returning home. It gives great pleasure to us.

The first brief will be presented on behalf of the Department of Agriculture and Immigration, and I believe Mr. Shuttleworth, the Minister is here and Dr. Bell and Mr. Kristjanson. I wonder if you could come forward now.

HON. C.L. SHUTTLEWORTH: Thank you very much, Mr. Chairman. I want to say on behalf of the Government of the province of Alberta that we are very happy indeed to welcome you to our province. To you, particularly, Mr. Chairman, the fact that to you it is a welcome back home, but I am sure for the rest of the Commission, if you





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 744 -

Hon. Mr. Shuttleworth

are not a native of this province, by the time you have been here for two or three days, you will all be calling it home, and be happy to come back again on some future occasion.

I am sure that the Government of the people of the Province of Manitoba, sir, look forward with a great deal of interest to the work that this Commission will be doing across Canada, and the findings that will be made.

I am sure also that from both the standpoint of the producer and the consumer of food in Canada they are very interested in your work.

As a producer I can assure you that we farmers have viewed with concern in the last few years the rising cost and spread between the goods that we produce and what the consumers pay.

Living, as I do, here at the present time in the city, and farming out in the country, as a layman, it is hard for me to understand why we can only get 30 cents a dozen for "A" large eggs on the farm, but when I go to the corner grocery store down here I have to pay over 57 cents.

The thing that the farmer finds hard to understand is why the prices of the things he produces should be so high at the present time, and the consumer finds the same thing.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 745 -

Hon. Mr. Shuttleworth

My wife, who is a farmer's wife, wonders why she should have to be paying so much for beef, butter and for eggs and all those things, so I can say, sir, sincerely from the standpoint of both the consumers and the producers there is a great deal of concern in this matter, and we are happy indeed to have you here.

We will watch the progress of your work with close interest and the findings of your Commission also.

My Government bids this Commission welcome to this hearing in Manitoba, and trust that the representations to be made will add helpful information to the problems that it has under study.

We are appreciative of the complicated and difficult task that this Commission has been assigned. In a country of the extent and as varied in its food production as is Canada, the products of its agriculture and its fisheries are both numerous and varied. These range from cereals which can be stored readily and for very considerable periods, to the other extreme of many highly perishable products -- to mention only fruits and some vegetables. Then too, the extent to which many food products require to be processed before reaching the consumer, as for example, both fish and meats, further





complicates your study.

We are all aware of the cost-price squeeze as it affects primary producers of food products. In addition to the crippling effect that this is having on our farmers and fishermen, my Government is concerned about the effects that this will have, and indeed is already having, on other segments of the Canadian economy.

The primary producers of food have traditionally received for their products retail prices less processing and distributing charges or, in other words, what has remained regardless of the cost of production. Thus, there has always existed a very considerable degree of uncertainty in farm business, whereas the processors and handlers of farm products have been able to operate on a more assured margin. While farmers in the past may have been able to tolerate this situation, present farm business management under such conditions cannot expand or share the buoyancy enjoyed by other non-farm segments of the Canadian economy.

Technological advances, while contributing to increased out-turn which currently is far beyond domestic requirements, have impelled high capital investment in equipment, buildings, and land. In order to carry this investment most farmers of this province have improved the efficiency of their





farm unit.

Every acre of the farm, consistent with good farming practices, must be revenue producing in terms of cereal, forage, or special crops, livestock, poultry and/or dairy production. I must on my own farm. I cannot pursue any other course.

It has been estimated that in the period 1949-1957, the index of the cost of goods and services used by farmers increased 26 per cent, and the index of prices of farm products declined 13 per cent. Let me state the farm position in another way -- between 1949 and 1956, it is estimated that farm operating expenses increased by 41 per cent while cash income increased by only 5.6 per cent. This situation has forced and held the farmer in the cost-price squeeze situation.

Under these conditions many of our small farms have disappeared, and in many instances have become a part of other farm units. In 1956, there were 8,823 fewer Manitoba farms than in 1941, or an average decrease per year of 588 farms. Likewise, during the same period farm population declined by 42,870 persons or an average yearly off-farm movement of 2,858 persons.

While significant technological advancements and changes have been undertaken in prairie agriculture, and while farm operating and production





efficiency have been improved, these have not corrected or solved the farm problem.

The farmer has improved production efficiency but any saving which he has been able to make has been eaten up by costs which have continued to spiral.

Of Manitoba's 1957 agricultural production, slightly more than 43 per cent of farm revenue came from sources other than field crops.

I think, Mr. Chairman, if you go back over the records of the Province of Manitoba you will appreciate how the farmers of the Province of Manitoba have tried valiantly to diversify and to do everything within their power to try to keep their farm unit and their returns up, and to get into other fields of production.

This gives an indication of the diversification and specialization underway on farms of this province. Revenue from these secondary sources, while bringing a measure of relief to this difficult farm financial situation, will not in itself create the degree of buoyancy desired for agriculture. In my opinion, only an improvement in the general level of prices of farm products will release the farmer from the cost-price squeeze.

During recent months there has been more discussion than at any time in the agricultural





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 749 -

Hon. Mr. Shuttleworth

history of this province in respect to marketing boards, deficiency payments, and price supports in the hope of finding a solution to the problem -- the cost-price squeeze.

There is only one basic reason why the farmers are looking to marketing boards and deficiency payments and that is that they are just sort of cash. They are just hard up. That is the reason that they turn to these other things.

The farmer and the fisherman are very critical of the spread which occurs between the price at which they sell their products and the price which the consumer has to pay. They believe, and I agree with them, that they are entitled to a greater share of the consumer's dollar. They are anxious to know if these price spreads are a deterrent to greater per capita consumption of the products which they sell and to higher net incomes.

The presentations of my Government will be submitted in two parts -- one dealing with agricultural products read by Mr. Kristjanson of the Department of Agriculture and Immigration, and then Mr. J.G. Cowan, Deputy Minister of Mines and Natural Resources, will present our submission on fisheries products. I trust, Mr. Chairman, that these submissions will prove helpful in your





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 750 -

Hon. Mr. Shuttleworth

difficult task.

I want to say to you, sir, anything that we can do while you are here in the Province of Manitoba to assist you either in your work or in your leisure time, if you will get in touch with us we will be glad to help you.

Thank you very much.

THE CHAIRMAN: Thank you very much, Mr. Shuttleworth. We are very grateful to you for this statement. The Honourable Minister's statement will be included in Exhibit 15.

Will Mr. Kristjanson now come forward and present the brief.

EXHIBIT NO. 15: Brief of the Province of Manitoba, Department of Agriculture and Immigration. Also statement delivered by Honourable C.L. Shuttleworth.

MR. KRISTJANSON: It is our pleasure to appear before this Commission today to examine some facts in respect to price spreads and the inadequacy of data required in a study of price spreads.

Manitoba farmers view with increasing concern their declining share of the consumer's dollar. This concern, we believe, is legitimate. The farmer realizes that gross returns, for his





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 751 -

Mr. Kristjanson

products, are the balance left over from the consumer's expenditures for these products after all costs have been deducted. These costs make up the market margin and as these costs rise, for whatever reason, the farmer's share of the consumer's dollar declines.

With the absence of adequate market data which would indicate the value at retail of agricultural products produced in this province and similar inadequacy in the data on the market margins, it is difficult to estimate how much less our farmers actually receive as a result of a change in a percentage point in the market margin. It represents a real decline in their purchasing power.

For example, the Economic Annalist estimates that in 1955 the retail cost of food of Canadian origin, consumed in Canada, was \$3.07 billion of which the farmers received 46.1 per cent of \$1.42 billion. A one percentage point increase in the market margin of this amount decreases farm income by almost \$31 million. Manitoba's share of this decrease we estimate would be \$5.76 million. We know also that as prices decline, the farmer's share of the consumer's dollar decreases.

During the past few years, Manitoba's farmers have been faced with both increased marketing charges and declining prices.





The absence of the necessary data makes it difficult to discover whether excessively large shares are being taken by the various marketing agencies. We intend therefore, to examine the available data in terms of their adequacy for the study of these price spreads.

It is readily apparent from Table I that the farmer's share --

THE CHAIRMAN: Mr. Kristjanson, we would like to have this table included in the record. Would you just read the table and the title of the columns and give us just the first item, and then the last item?

MR. KRISTJANSON: Yes, sir. The first and last.

Table I - Farm share of the retail price, 14 Selected Commodities, Canada 1951 and 1956.

The first title is captioned Commodity -- 1951-1956. The first item is Wheat Flour and the last item is Canned Corn. The source is the Economic Annalist, June 1957, page 71.

THE CHAIRMAN: Thank you.





Commodity	1951	1956
-percent-		
Wheat Flour	42	37
White Bread	18	14
Beef, Blue Brand	71	57
Pork	61	51
Chicken	58	51
Eggs "A" Large	80	74
Fluid Milk	54	52
Creamery Butter	79	77
Cheese, plain, process	35	57
Potatoes	49	41
Canned Peaches	21	24
Canned Tomatoes	18	18
Canned Corn	14	17

■ Source: - Economic Annalist, June 1957, page 71.

It is readily apparent from Table I that the farmer's share of the consumer's dollar is steadily decreasing. While it is recognized that the farmer's share is greater for those products which require less processing and handling, it seems necessary to discover why the farmer's share for such products as wheat flour, eggs and beef should decrease by 5, 6 and 14 percentage points respectively. It is difficult to discover any appreciable change in the processing of these products.

We are aware that there is widespread public misunderstanding of retailers' and wholesalers' costs of doing business as the following quote illustrates:





"The persistent public ignorance and misunderstanding of distribution costs is commonly thought to be related in some part to the rather intangible character of these costs. It is quite true that no one can wear a pair of shoes which is one of a case lot in a manufacturer's warehouse, or sleep under blankets that are packed in cartons on the dry-goods wholesaler's shelves. But these utilities of time, place, dispersal and combination are not anything that can be seen, felt, or tasted. They make no alterations in the form or appearance of an article. Hence they do not seem to be 'real', even though they are just as much a part of the cost of producing the final utilities to the consumer as are the costs of the raw materials and manufacturing processes."

This quote came from Operating Results of the Department and Specialty Stores in 1944, Harvard University Bureau of Business Research (Cambridge, 1945).

While it is commonly thought that the decreasing share of the consumer's dollar, which the producer receives, is due to the increasing services which are either asked for by the consumer or induced





upon him by advertising, very little, if any, attempt has been made in Canada to study this problem as far as we are aware.

An important exception to this is a study on market margins of beef now being conducted by the Department of Agricultural Economics and Farm Management of the University of Manitoba. This study was begun in 1956 under the direction of Dr. A.W. Wood of that department. An interim report was recently prepared and is appended herewith.

This is a study of the prices of "medium" grade cattle in Manitoba at four different levels - at the farm, at the stockyards, at carcass wholesale and at retail - over a 22-year period, 1935 - 1956.

Some of the findings to date are:

1. The farm and retail prices have a strong tendency to move up and down together.

2. The wholesale carcass price does not follow the retail price as closely as does the farm price.

3. The total market charges, though relatively stable, have increased by a substantial amount since 1935, from a low of \$9.14 in 1935 to a high of \$31.63 in 1952. It has declined since 1952.  
(Chart I in appendix).

4. Transportation and commission charges take a small and declining share of the consumer's





dollar from a high of 15 per cent in 1935 to a low of 3 per cent in 1951 with some increase since.

5. The producer's share has varied between one-third and two-thirds of the consumer's dollar.

6. The shares going to the packer and the retailer, while considerable, have been variable. The retailer's share has been greater than that of the packer. In 1956, the retailer's share increased considerably whereas the packer's share was the lowest in the 22-year period. (Chart II - appendix).

7. When retail prices are high the producer's share has been relatively higher than when retail prices are low. In 1936, when beef was being sold at retail at less than 15 cents per pound, farmers received about 33 per cent of the consumer's dollar; and in 1951 when beef was retailing at an average of more than 80 cents a pound, the farmer received about 67 per cent of the consumer's dollar.

Many of the data required for this study were obtained from unpublished sources. Further study and the collection of more information, if it is available, is necessary before the analysis of the components of the consumer's dollar is completed. The following is a brief discussion of some of the difficulties encountered due to inadequate statistical data and some recommendations for improvement.





(a) Prices Received by Farmers: Only animals marketed through the stockyards were included as no data were available for any other method of marketing. The statistics on freight rates, commission charges and other factors were not readily available. The various costs between the farmer and the wholesaler were subtracted from the wholesale prices to arrive at the prices received by farmers. These price statistics are required for studies of this type and we recommend that they be published regularly.

(b) Beef Grades: This study was limited to medium grade animals because of the absence of data on other grades. It is necessary then to also have price series on all grades of beef.

A study (Steer-Heifer Price Differentials by Jan Harry J.M. Weijs, April 1957) of the heifer-steer differentials recently conducted by the Department of Agricultural Economics and Farm Management of the University of Manitoba indicates that this differential is greater than can be economically justified. There was evidence of pricing inefficiency at both the retail and packer level, but there are important gaps in the information as the author suggests as follows:

"Many results and conclusions in this study are, of necessity, only tentative.

The studies and price series on which these





"these conclusions are based are not always accurate and are seldom complete".

We therefore recommend that this Commission study these pricing procedures.

(c) By-Products: The only available series on prices of beef by-products is that for hides. While this is useful, there are no price series on offal. The prices of the major offals such as liver, tallow, kidney and other by-products should be published.

(d) Conversion Factors: The conversion of live to carcass prices and wholesale to retail prices is dependent on data on cut-out percentages. To our knowledge there have been no recent studies made of these conversions on a large enough sample to provide reliable results. We simply do not know what percentage of the carcass is being trimmed off by the retailer. It would be necessary to change these data only as often as there are significant changes in retailing practices. While the available retail price data which are published by the Dominion Bureau of Statistics do include a satisfactory proportion of the carcass, there is no differentiation made between the various types of retail outlets. Recent studies in the United States have shown that significant differences do exist in the price mark-up made by large and small retailers.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Pork Prices: Many of the inadequacies of the data on beef are applicable to pork products and the same recommendations apply.

A matter of concern to Manitoba hog producers is the unnecessarily large spread in the support price between Toronto and Winnipeg. Investigation shows that the cost of shipping live hogs from Winnipeg to Toronto or Montreal is not more than \$2 per hundred pounds, while the spread, as the Commission will know, is \$3 per hundred pounds.

As already indicated, when retail prices are low the farmer's share of the consumer's dollar is low. Thus a support price which is lower than it has to be, penalizes the Manitoba hog producer.

It is recognized that this has not been a major problem in the past because the price of hogs has only once dropped to support levels. This is not to say, however, that the price cannot drop to a level at which the Federal Government will buy pork products. If at any time the price of pork were to drop to support levels, under the present policy, the Manitoba hog producer will be unnecessarily penalized in moving the product to Eastern Canada. We suggest that this differential is unrealistic and therefore recommend that the Commission give this matter its attention so that





this discrepancy may be corrected either under present legislation or any future price support policy.

Dairy Products: The fact that fluid milk marketing is strictly controlled tends to ensure that the price spread on this product does not become too wide. However, the published data available on other dairy products are not sufficient to adequately study the price spreads on them.

Poultry Products: Eggs - According to the "Poultry Products Market Report", the price spread between the producer and consumer of eggs, in the last year, has varied from 17 to 19 cents a dozen in Winnipeg. Of this amount the wholesaler is allowed 8 cents for processing and handling and the retailer receives the remainder.

At one time, it might have been possible that a retail margin of this magnitude was necessary to cover the cost of handling so perishable a product, but the method of handling eggs, at the retail level, has changed so that the cost of breakage and spoilage has been greatly reduced. We therefore recommend that the price spread on eggs be investigated, particularly at the retail level.

The Government is now buying, that is the Federal Government, grad "A" large eggs in considerable quantities and has on occasion bought some





"B" grades. The present method of buying eggs - 38 cents at wholesale provided the producer receives 30 cents - probably precludes any possibility of an unreasonable price spread at the wholesale level.

There is, however, an unreasonable spread between the various sizes of "A" quality eggs. We are aware that the consumer is biased against grade "A" medium and grade "A" small eggs. While there is, on the average, a difference of only three ounces per dozen between grade "A" large and grade "A" medium or about one-eighth by weight, the price difference has been as great as 13 cents per dozen. This can probably be at least partially corrected through consumer education.

But when the Federal Government confines its purchases to large eggs, it is, in effect, bidding up the price of these eggs, thus accentuating the price effect of this consumer bias against the smaller eggs. Since all governments encourage quality and since most of the eggs which have been purchased have been broken for the melange trade (and sold by the pound), it seems reasonable that the purchasing policy should include all sizes of top quality eggs at a price spread corresponding to the difference in weight.

~~Next~~ - that is poultry meat - The price information on poultry meats is generally more





complete than most other agricultural products with the exception of eggs and dairy products. The publication of retail prices would facilitate the study of price spreads.

Fruits and Vegetables: It is generally recognized that the fruit and vegetable market is less well organized than the markets for other agricultural products. Consequently, costs of marketing are undoubtedly higher than is necessary. But the publication of prices at the various levels between the producer and consumer is necessary before an analysis of these price spreads is possible.

Conclusion: The farmers of Manitoba are faced with ever increasing costs of goods and services which they must buy and decreasing prices for many of the products they have to sell. We know that technological improvements have increased the efficiency of agricultural production, but the increased costs have more than absorbed this increase in efficiency. As prices farmers receive have decreased, their portion of the consumer's dollar has decreased. We, in Manitoba, have been attempting to discover the reasons behind this cost-price squeeze. However, in our attempt to bring together data on price spreads, we were continually confronted with the absence of the necessary price series.





Since the Federal Government has traditionally collected and published marketing information, we recommend that the existing statistics be collected and published in more detail. In addition, detailed statistics on other important commodities should be collected and published.

While in this brief we have singled out only a few of the agricultural products, this by no means implies that we feel that there is no need to study the price spreads of the other agricultural products. On the contrary, we trust that a complete study of all agricultural products will be made.

Furthermore, sound policy decisions are best made when based on accurate information of existing conditions. It seems, therefore, to be in the abest interests of all governments to have accurate data on which to base these decisions.

Mr. Chairman, would you like me to read the titles?

THE CHAIRMAN: I think we can take them as read for the purposes of the record. That is continuing through page 10 and on page 11.

MR. KRISTJANSON: That is correct. Would you like me to read the appendix?

THE CHAIRMAN: I don't think it is necessary unless you wish to, but we would also like to include it in the record.





MR. KRISTJANSON: Yes, very good.

THE CHAIRMAN: We will see that it is included, but it is material in support of the earlier part of the brief.

MR. KRISTJANSON: Thank you very much, Mr. Chairman.

The Consumer's Beef Dollar - Where Does It Go?: In 1951 the Winnipeg housewife paid an average of 80 cents for a pound of beef. The Manitoba beef producer received 54 cents or about two-thirds of the retail price. In 1956 the housewife paid 56 cents and the producer got 29 cents, or about one-half of the retail price. The producer got a much smaller share of a much lower price. The same sort of thing has happened with many other farm products. Naturally, producers wonder why this happens and whether anything can be done about it.

The Federal Government has appointed a Royal Commission to investigate the question of price spreads between the producer and the consumer. The Department of Agricultural Economics anticipated the Government action by over a year and started a study in 1956 on market margins for beef at Winnipeg. We have collected a lot of data and are now in a much better position to answer some questions on price spreads. For the first time we have detailed estimates of the price of





beef in Manitoba at four different levels - at the farm, at the stockyard, at carcass wholesale and at retail for a long period of years - from 1935 to 1956.

These prices are shown in Chart I. From this chart three things can be noted:

- (1) The farm and retail prices have a strong tendency to move up and down together by about the same amounts. That is, the total marketing charges tend to remain about the same when farm prices and retail prices rise and fall.
- (2) The wholesale carcass price does not follow the retail price as closely as the farm price does. In 1937 and 1948 the wholesale prices were out of line on the high side and in 1956 they were out of line on the low side.
- (3) The total market charges, though relatively stable, have increased by a substantial amount since 1935, as can be seen by comparing the farm-retail price spread in 1935 with that in 1956.

What have these changes done to the distribution of the consumer's dollar between the producer and the marketing firms at each level? It is a simple matter to calculate from those prices what percentage goes to the farmer, the packer, the retailer and other marketing agencies. These





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

percentages are shown in Chart II.

In this chart it can be noted that (1) the producer's share has varied between one-third and two-thirds of the consumer's dollar. (2) Transportation and selling costs have taken a small and declining share of the consumer's dollar. (3) The shares going to the packer and retailer have been large and variable, with the lion's share going to the retailer in 1956 and the packer getting the smallest share in the 22-year period.

It can also be noted that, when the wholesale carcass price moved out of line on the high side in 1937 and 1948, the packer's share of the consumer's dollar took a jump upward, both times at the expense of the retailer's share. The price to the producer actually increased in those two years. In 1956, when the wholesale price dropped, the packer's share took a slump - again without much effect on the farm price but to the considerable benefit of the retailer's share which reached the highest level in 22 years.

The retailer's share is unlikely to stay that high or the packers' share that low. When the 1957 figures are obtained the chances are that the retail share will have fallen and the packer share will have risen to more normal levels but





the farm share will not likely be affected by this adjustment.

What, then, causes the farm share to change? From our study of these prices we can answer this question, at least partly, by saying that the farm share has changed (1) because the price level has changed, and (2) because market charges have increased.

To explain the first of these reasons we recall that market charges tend to be stable. If charges are perfectly stable a rise in the retail price will cause a fall in the market share of the consumer's dollar. For example, if marketing charges are constant at 20 cents and the retail price is 40 cents the market share is 50 per cent. If the retail price rises to 50 cents the market share falls to two-fifths (20 cents out of 50 cents) or 40 per cent. If the retail price rises to 60 cents the market share falls to one-third (20 cents out of 60 cents).

Chart III shows what the relation between the market margin for beef and the farm price of beef would be if the market charges were constant at the average level for 1935-56 and the farm price varied between \$5 and \$25 per hundred weight. It is shown here that, with no change whatever in the market charges, the market margin would vary from





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 768 -

Mr. Kristjanson

30 per cent to 68 per cent of the consumer's dollar. As a matter of fact it did vary by just about that amount but not quite according to the principle just demonstrated.

The line shown here is the relation between the market margin and the price of beef if market charges are constant. In fact the charges have not been constant but have changed over time. The actual relation between the market margin and the farm price is shown in Chart IV. The solid line in this chart is the same as that shown in the previous chart. The dots scattered about this line show the actual market margins and farm prices for individual years from 1935 to 1956. The dots tend to follow the line that they would follow if market charges were completely stable. This explains a considerable part of the change in the market and farm shares of the consumer's beef dollar. If all the dots fell right on the line it would explain all of it.

The higher market margin in recent years is associated with an increase in marketing charges. There has been a substantial increase in the cost of marketing beef. There is little doubt that price spreads for beef in Winnipeg have increased in recent years. It is difficult to say, as yet, just what has caused this increase. We have reached





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 769 -

Mr. Kristjanson

the stage where we know that there has been an increase. Further study and the collection of more information, if we can get it, may permit us to answer the question "Why has the market share of the consumer's beef dollar increased since 1951?"

(Page 770 follows)





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 770 -

Mr. Kristjanson

TABLE I

Average Price Per 100 Lbs. Retail Beef Sold  
in Winnipeg

Year	Farm	Stockyard	Wholesale	Retail
1935	\$ 5.24	\$ 6.15	\$ 9.43	\$14.38
1936	4.90	5.83	10.11	14.70
1937	6.43	7.39	14.25	17.37
1938	6.45	7.45	11.61	18.64
1939	8.13	9.20	12.76	19.52
1940	9.49	10.56	14.48	20.77
1941	11.60	12.67	15.75	21.33
1942	14.51	15.61	18.39	25.95
1943	17.48	18.61	21.49	29.52
1944	17.36	18.53	21.95	30.06
1945	17.26	18.41	22.09	30.45
1946	18.59	19.69	22.76	31.41
1947	19.59	20.67	24.71	34.39
1948	28.45	29.64	38.73	45.15
1949	31.99	33.31	40.23	50.83
1950	34.10	35.47	41.03	49.93
1951	53.93	55.60	64.25	80.52
1952	39.06	40.85	51.95	70.69
1953	28.80	30.61	42.76	57.57
1954	26.90	28.69	41.49	53.53
1955	29.09	31.88	39.88	55.19
1956	28.91	30.72	34.48	55.90

(Page 772 follows)





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 772 -

Mr. Kristjanson

TABLE II

Percentage Share of Consumer's Beef Dollar  
(Annual Average)

Year	Farm	Transport Selling	Packing Wholesaling	Retailing
-percent-				
1935	36.5	6.3	22.8	34.4
1936	33.4	6.3	29.1	31.2
1937	37.0	5.5	29.5	18.0
1938	34.6	5.4	22.3	37.7
1939	41.7	5.5	18.2	34.6
1940	45.6	5.2	18.9	30.3
1941	49.2	4.5	16.7	29.6
1942	56.0	4.2	10.7	29.1
1943	59.2	3.8	9.8	27.2
1944	57.1	3.9	11.4	27.0
1945	56.7	3.8	12.0	27.5
1946	59.2	3.5	9.8	27.5
1947	57.1	3.1	11.7	28.1
1948	63.1	2.6	20.1	14.2
1949	62.9	2.6	13.6	20.9
1950	62.6	2.2	11.6	23.6
1951	67.0	2.1	10.7	20.2
1952	55.3	2.5	15.7	26.5
1953	56.1	3.1	21.1	25.7
1954	50.3	3.3	23.9	22.8
1955	52.8	3.2	16.3	27.7
1956	51.8	3.2	6.7	38.3

(Page 774 follows)





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 774 -

Mr. Kristjanson

TABLE III

The Relation Between Market Margin and the  
Farm Price of Beef  
(Annual Average)

Year	% Actual Market Margin	Deflated Farm Price (1939-39=100)
1935	63.5	5.55
1936	66.6	5.06
1937	63.0	5.97
1938	65.4	6.32
1939	58.3	8.20
1940	54.4	8.79
1941	50.8	10.04
1942	44.0	11.80
1943	40.8	13.67
1944	42.9	13.29
1945	43.3	13.07
1946	40.8	13.38
1947	42.9	12.00
1948	36.9	14.71
1949	37.1	16.13
1950	37.4	19.27
1951	33.0	22.45
1952	44.7	17.28
1953	49.9	13.05
1954	49.7	12.40
1955	47.2	13.29
1956	48.2	12.81

(Page 777 follows)





THE CHAIRMAN: I would like to ask you a few questions largely for amplification or clarification, and I might say if the Minister, Dr. Bell, wishes to get into the discussion as we raise the questions, I would be very happy if he would do so.

A good deal of your brief deals with the problem of availability and adequacy of statistics.

MR. KRISTJANSON: Yes sir.

THE CHAIRMAN: And as you know, our Commission is asked specifically to examine the adequacy of price information currently available, and so we appreciate the emphasis on this point and would like to assure you that this will be one of our major concerns. The problem, if there is one, could be eased by better information than we have available, and we will be giving our attention to that problem.

In connection with this, I would like to congratulate the Province of Manitoba and the Department of Agricultural Economics and Farm Management at the University of Manitoba for their contribution in the specific study of beef. We have not too many studies of this kind available to us, and I would like to ask when this study is completed, and I gather that the analysis is not completed, if we might expect to be able to get a report?

MR. KRISTJANSON: Yes sir.

THE CHAIRMAN: Have you any idea when that





ANGUS. STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

might be available?

MR. KRISTJANSON: I would like to call on Dr. Wood who is here, Dr. A. W. Wood. He would probably give us a better idea than I can, if I might.

THE CHAIRMAN: Is Dr. Wood present?

DR. A.W. WOOD: I expect we should have the study completed and be able to forward a copy to the Commission before their hearings in the Fall, at least by August or September.

THE CHAIRMAN: In relation to this problem of the availability of data, one of the features of the problem is getting at the original source, as you know. In your brief you refer to the traditional responsibility of the Federal Government for the gathering of statistics of marketing. I take it Mr. Minister, that you feel that this is a Federal problem?

HON. MR. SHUTTLEWORTH: Well I feel it certainly is Mr. Chairman, because basically, it is in the same category as many other of the problems. It is not a problem that is one for Manitoba only. I always feel when there is more than one province involved, particularly in this situation all the provinces of Canada, then it becomes basically a Federal problem, a National problem, and then we take the secondary role as a province and are doing all we can to assist.





THE CHAIRMAN: Thank you. In the second paragraph of your brief, the implication of the statement is that prices are set at a retail level, and that what the farmer gets is a residual, after the costs for providing the intermediary services are covered. Again, the implication here is beyond the farmer's part, between the farmer and the consumer it is possible to cover costs. It is quite obvious in the case of the farmer that this is not so. You refer us to the position that the farmer finds himself, that his prices are falling, but his costs are rising, so that there seems to be a different principle involved in pricing between the farmer and the retail level at the farm level. What is the explanation in your mind of this?

MR. KRISTJANSON: I think that the price paid by consumers more or less supply and demand, equilibrium as close as we can get in the theoretical sense, and the processors and handlers between the consumer and the farmer are in a better position to cover their costs than the farmer who is not well organized, and is more dependent on weather, fluctuation in price, and that sort of thing. He cannot store his commodity. He cannot hold his commodity back when prices are low and put it on the market at a later date, and that sort of thing.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 780 -

Mr. Kristjanson

He is limited in that respect. I don't know whether that answers your question, sir.

THE CHAIRMAN: I detect two points there. One, that the farmer is not well organized. I think you said that?

MR. KRISTJANSON: Yes.

THE CHAIRMAN: In other words, one of the factors which explains this difference you would say would be organization?

MR. KRISTJANSON: Organization, yes sir.

THE CHAIRMAN: And then the second point you say that the farmer cannot hold back his supplies. Is this a significant difference between the farmer and other people in the market?

MR. KRISTJANSON: The individual farmer, in most cases, does not have storage facilities for his pork, for example. He sells it to the market, puts it on the market, and this can be stored by people between the producer and the consumer.

THE CHAIRMAN: In the bottom paragraph on page 1, you refer to the "Economic Annalist" and point out that the farmer receives 46.1 per cent of the total retail cost of food in 1955, and I might add that we now have the later information for 1956 and 1957, and the figures there are 45.3 and 44.3. The farmer's share has been going down.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 781 -

Mr. Kristjanson

In relation to Table I on page 2, at the bottom of the page you say, "While it is recognized that the farmer's share is greater for these products which require less processing and handling" How do you account for the case of creamery butter which in your table shows that the highest percentage of the consumer's price of any of these products is received, in this case 77 per cent? Now that is a processed product. How do you account for the case of butter?

MR. KRISTJANSON: Well in the case of butter, more than 100 pounds of butter are produced from 100 pounds of butterfat, and the number of handlers between the producer and the consumer are, I think, less or fewer than for some of the other products.

THE CHAIRMAN: Have you any information on retail spread in butter?

MR. KRISTJANSON: No, I am sorry I do not.

THE CHAIRMAN: There is a sentence at the bottom of page 2, and continuing on to page 3:

"It is difficult to discover any appreciable change in the processing of these products."

Now, is this a statement that it is difficult to get this information --





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 782 -

Mr. Kristjanson

MR. KRISTJANSON: Yes sir.

THE CHAIRMAN: -- or is the implication that the changes have not occurred?

MR. KRISTJANSON: Well the implication is we do not have the information to determine whether they have occurred or not.

THE CHAIRMAN: The second last paragraph reads:

"While it is commonly thought that the decreasing share of the consumer's dollar which the producer receives, is due to the increasing services which are either asked for by the consumer or induced upon him by advertising --"

Is there any significant difference in your mind between these two situations?

MR. KRISTJANSON: Probably not, sir.

THE CHAIRMAN: Probably not?

MR. KRISTJANSON: Probably not.

THE CHAIRMAN: Perhaps Dr. Wood could just clear up this difficulty in my mind. On page 4 your study dealt with medium grade cattle, and there is a reference to the availability of statistics later, but I understand that it was possible from the available data to carry through medium grade cattle, but it would not be possible to take other grades





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 783 -

Mr. Kristjanson

and carry it through because of the data not being available?

DR. WOOD: Well that is right, Mr. Chairman. On many levels, price information is available for all the different grades, but there are some critical bottle-necks at which prices are available only on commercial beef, so that that limits a complete study to one particular grade.

THE CHAIRMAN: You would probably agree that this is a simplification on the part of the Bureau of Statistics and other agencies in view of the complexity of the problem, and you would also agree today what you are asking would involve a very considerable elaboration of statistical data, wouldn't it?

DR. WOOD: Oh, I agree sir, certainly.

THE CHAIRMAN: I have one or two questions in connection with the table in the Appendix, the table which was referred to as Chart I of the supporting data for Chart I, which is found in the Appendix Table I.

I notice in your description on page 4, that there are a number of references to 1951, and what happened before 1951 and what happened after 1951. Now looking at this table, 1951, in terms of prices, it was quite obviously a very abnormal year.





For example, you point out that the spread has declined since 1951, but if you take out 1951, the spread in the later years is greater than it was before 1951, and I think the explanation of your statements is that 1951 was an abnormal year. Do you know of any circumstances in 1951 which would make it abnormal?

DR. WOOD: I am not sure that I follow you sir, or whether I haven't studied this particular text, but in my original presentation I noted a difference in the spread in the whole series of years; that is up to 1951 the margin was a certain level, and for the years since then the marketing charges have been higher. 1951 was a peak year for prices, I presume, but nevertheless the charges do not, the statements that I made do not depend on that turning point. The trend has been consistent up to 1951, and since then the margin has been at a higher level, and the charges, marketing costs have been at a higher level; not centered on the one year to my knowledge.

THE CHAIRMAN: Let me take this illustration. No. 4 on page 4 reads as follows:

"Transportation and commission charges take a small and declining share of the consumer's dollar from a high of 15 per cent in 1935 to a low of 3 per cent in 1951 with some increase since."





Now, I am suggesting that that comparison depends upon an abnormal year, 1951. If you will look at the table you will see that the average price of retail in 1950 was \$49.93, and in 1951 it was \$80.52. That is an increase of 30 cents from 1950-51.

It is true it fell off \$10 the next year, but to base your comparison in 1951, seems to be a little misleading, because -- when was the foot and mouth disease problem?

MR. WOOD: 1951-52.

THE CHAIRMAN: 1951-52.

MR. WOOD: 1952.

MR. KRISTJANSON: Mr. Chairman, I think probably I should take the responsibility for this No. 4, the use of 1951 as a comparison year.

THE CHAIRMAN: I am interested in this because the general impression that we have got is that the spreads have been increasing since 1951.

MR. WOOD: I would say that the spreads have not been increasing steadily since 1951, but at that point in time there was a jump in the spread, and the spread has not gone back to its previous position. 1951 was a year of peak prices when you would expect a lower margin percentage going to the market, because the price was high and constant figures would be a smaller percentage of a





peak price.

THE CHAIRMAN: I thank you. On page 5 under "Prices received by farmers" you refer to the fact only animals marketed through the stockyards were included as no data were available for any other method of marketing.

What proportion of the animals in Manitoba are marketed through the stockyards?

MR. KRISTJANSON: I will ask Mr. Wood to answer that.

THE CHAIRMAN: What proportion of the live-stock is marketed through the stockyards?

MR. WOOD: I cannot be sure of how many. I have not got the data with me, but the data is readily available. In proportion marketed, I believe, beef probably 60 per cent. That is just a guess.

THE CHAIRMAN: And hogs?

MR. WOOD: Hogs about 80 per cent, would be marketed other than through stockyards.

MR. KRISTJANSON: Mr. Chairman, we can get that information for you and forward it to you.

THE CHAIRMAN: The last paragraph on that page refers to this heifer-steer price differential. I may say we have heard about this in other places. We have an interest in it. This paragraph reads:

"A study of the ~~heifer-steer~~ price differentials recently conducted by the





"Department of Agricultural Economics and farm management of the University of Manitoba indicates that this differential is greater than can be economically justified."

What criteria are you using there to make this statement that "it is more than economically justified."

MR. WOOD: That refers to all the known and suggested reasons for a differential, both physically and market-wise; all these differences in percentages, retail cut-outs, quality, relative proportion and all those suggested reasons for a difference in the differential, having made an allowance for all those, there have been periods and at present the differential is much greater than can be accounted for by all known factors or even suggested factors.

That does not perhaps justify the use of the term "economically justified" because there may be some factors not yet unearthed that can account for it in an economic sense.

THE CHAIRMAN: As you know, one of the Terms of Reference of this Commission is to determine whether or not such price spreads in general or in a particular case are fair and reasonable or excessive. I was hoping you could help us to find some criteria for making these statements.





- 788 -

Mr. Kristjanson

The sentence of this paragraph reads: "There was evidence of pricing inefficiency at both the retail and packer level". Can you illustrate what is meant by "pricing inefficiency". I do not know to whom I should direct this question.

MR. KRISTJANSON: Do you remember that?

MR. WOOD: I cannot recall the particular paragraph of this study which was published -- not published, but it is over a year since it was written and completed, and I would have to go back to the context to find out how this sentence was drawn, and on what it was based.

THE CHAIRMAN: Is this a study on which further work is being done, and ultimately a report will be available?

MR. WOOD: Yes.

THE CHAIRMAN: When might we be able to see this?

MR. WOOD: About the same time as the other study, some time later in the summer.

THE CHAIRMAN: Thank you. On page 6 under "by-products" there is a reference to prices of offal. Have you any idea of the value of offal in relation to the value of feed?

MR. WOOD: In order to make this study, we had to estimate that value month by month for 22 years, so we had to dig up various pieces of information





on which we could base such estimates.

The relative value is by no means a constant value, and the offal cannot be assumed to be a constant percentage of the total value of the carcass plus by-products, but there are other parts of the by-products which in total are a relatively constant proportionate value. Other parts are not, such as hides, depending on specialty matters.

THE CHAIRMAN: Did you get this information from the processors?

MR. WOOD: The information I used was partly -- it came from American Statistics on the assumption there was constant proportions, but basically they came from -- of course, hide values are available. There are some unpublished figures from the Federal Government departments marketing service. They had some figures on some offals, but they are not published.

THE CHAIRMAN: I am referring to page 7, Mr. Kristjanson, the first paragraph, which has to do with differentials in prices for hogs between Toronto and Winnipeg. The sentence reads: "Investigation shows that the cost of shipping live hogs from Toronto to Winnipeg or Montreal is not more than \$2 per hundred pounds, while the spread, as the Commission will know, is \$3 per hundred pound."





THE CHAIRMAN: Do you mean that there are no other costs involved in shipping the stock?

MR. KRISTJANSON: No, I beg your pardon, sir. It is the freight plus other charges. It includes the car cleaning and other charges that are involved.

THE CHAIRMAN: Lower down on that page under "Dair products": "The fact that fluid milk marketing is strictly controlled, tends to ensure that the price spread on this product does not become too wide." I wonder if you could tell the Commissioners briefly what the regulations in Manitoba area affecting the pricing of whole milk?

MR. KRISTJANSON: I believe I am correct on this. It is the Milk Control Board: The Manitoba Milk Control Board has to agree to the price, and the retail price at which it is sold, and they control the pricing of the milk.

THE CHAIRMAN: The producers negotiate their own prices with the distributors, but they have to be approved.

MR. KRISTJANSON: Yes, that is correct.

HON. MR. SHUTTLEWORTH: Our Board sets the minimum to the producer, and the maximum to the consumer, and then they negotiate through the medium of the Board to negotiate between the distributor





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 791 -

Mr. Kristjanson

and the producer.

THE CHAIRMAN: With respect to the marketing of eggs, at the top of page 8 you say of the spread from 17 to 19 cents a dozen in Winnipeg the wholesaler is allowed 8 cents for processing and handling and the retailer receives the remainder. Are there many instances in which the eggs go directly to the retailer from the producer?

MR. KRISTJANSON: I don't believe so. There are undoubtedly some. Most of the eggs do, in fact, go from the producer to be sold to the wholesaler, and then from the wholesaler to the retailer. I believe so. I may be wrong on that. May I check that?

HON. MR. SHUTTLEWORTH: Yes, I think you should check that. We have in the province of Manitoba quite a percentage of our eggs now going directly into the consumer channels. Some of the large egg producers have their own facilities and they are moving them into consumer channels. I don't know what the percentage is, but we could get that for you.

THE CHAIRMAN: Mrs. Walton would like to know the significance of the word "allowed" here. You say that of this amount the wholesaler is allowed 8 cents.

MR. KRISTJANSON: The Federal Government





prices eggs at 38 cents provided the producer receives 30 cents.

THE CHAIRMAN: On page 9 with reference to fruits and vegetables, you say:

"It is generally recognized that the fruit and vegetable market is less well organized than the markets for other agricultural products."

In what way would this be so?

MR. KRISTJANSON: I don't think that we have the organization in the vegetable market in Manitoba that we have for other products; that is, we have the North End Market and so on where the producer brings the produce in in a less organized fashion than bringing it through the wholesaler, and then to the consumer. I don't know whether I have made myself clear.

THE CHAIRMAN: You are not speaking of the producer organization here, but organization within the distribution system?

MR. KRISTJANSON: Yes, the whole distribution system which includes the producer, and he does some of the distributing in some of the markets where he brings the produce into the market and sells it directly to the consumer.

THE CHAIRMAN: Thank you. On page 10 you say:





"On the contrary, we trust that a complete study of all agricultural products will be made"

-- presumably by this Commission. We are not completely appalled by the magnitude of our task, but we try to find some limitations. We have published a list of products which we hope to study in detail. There are 17 farm products, and 6 fishery products, and these have been selected either because they represent a large part, a relatively large part of consumer expenditure and are important in the consumer's budget, or they represent a substantial part of the income of some group of farm producers. But we take your suggestion into consideration.

MR. KRISTJANSON: Thank you, sir.

HON. MR. SHUTTLEWORTH: Mr. Chairman, may I ask a question as to whether the Commission will be giving any consideration to the problem of where we may price ourselves out of the market in relation to other products coming in from other countries, and even here in this province one of the things that concerns me at the present time is that in the fluid milk industry, when you take all the combination of factors, the price of fluid milk has got to a point where the housewife is turning and looking for an alternative, and it looks as though





she is going to turn in that particular case to the powdered milk. I just wondered from the standpoint of the whole field of agriculture price whether the Commission was giving consideration to that, because after you get to a certain point, this consumer resistance, generally an alternative comes on to the scene. Whether it happens in food, I don't know, but it does happen in other products. I just wondered if the Commission was going to give consideration to that.

THE CHAIRMAN: We have to proceed on the basis of our Terms of Reference. We made it a point in receiving information on the public hearings and we are not trying to draw too clear a line. We sometimes think that the points made are outside of our Terms of Reference, but we are glad to listen to them anyway. But you realize that the Commission is concerned with the spread and what goes on in determining that spread. In a general way I suppose it is true that we are not concerned with the level of prices as such, but only the relationship of prices between those two levels; in other words, high prices in themselves are not our problem, but in so far as the spread affects the level of prices, this would be our problem. Now, we will have to step gingerly within





our Terms of Reference.

HON. MR. SHUTTLEWORTH: It seems to me if you come to the conclusion that the spread is too high, then the final price --

THE CHAIRMAN: Quite so, but the point of departure is the spread.

We are grateful for the reference to this source of information, and I know I will start with following these matters up. These are the only questions that I have to ask Mr. Kristjanson. Maybe some of my colleagues have additional questions on their minds.

COMMISSIONER DRUMMOND: I think Mr. Kristjanson that the Chairman has asked practically everything I wanted to ask. There are one or two points that I might like a little bit further information about. First, on your page 3, second last paragraph, the paragraph immediately following the long quotation, you say:

"It is commonly thought that the decreasing share of the consumer's dollar, which the producer receives, is due to the increasing services which are either asked for by the consumer or induced upon him by advertising..."

The point that I can not help but note here is you seem to place a very considerable amount





of emphasis on the possible importance of these additional services in causing this rising of the spread?

MR. KRISTJANSON: Yes sir.

COMMISSIONER DRUMMOND: Does this indicate that in your opinion the provision of these additional services would be a major or, the major factor?

MR. KRISTJANSON: I am not prepared to say that sir, no, I just don't know.

COMMISSIONER DRUMMOND: Yes, but as a matter of opinion?

MR. KRISTJANSON: The prices paid by the consumer I think, while the consumer determines the price they are willing to pay for a product, in what it is marketed and all the processes that are applied to that product, I think are deducted from the price before the farmer receives his prices. Now if these are costly processes, then it would become, it might become a major factor, particularly on products with an inelastic demand, where there is only a certain amount of food of the product for the consumer.

COMMISSIONER DRUMMOND: On page 4, point number 4, the one that the Chairman referred to, you say transportation and commission charges take a small declining share. Apart from the matter which he raised in respect to the significance of the year





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 797 -

Mr. Kristjanson

1951 in affecting that general trend, have you any thought as to why transportation and commission charges have been declining?

MR. KRISTJANSON: The absolute charges have not been declining.

COMMISSIONER DRUMMOND: Just the relative percentage of the total?

MR. KRISTJANSON: That is right, because the general price level has risen more than the absolute freight charges, or transportation charges, they become a smaller portion of the total.

COMMISSIONER DRUMMOND: At the top of page 5 you say:

"Many of the data required for this study were obtained from unpublished sources."

I wonder if you could give us just a general idea of what the "unpublished sources" were?

MR. KRISTJANSON: I would like to ask Dr. Wood to correct me if I am wrong, but the Dominion Bureau of Statistics in their collection have some data which they do not publish. The marketing service of the Department of agriculture also have, and then it would be the stockyards and the railroads and sources of that kind.

COMMISSIONER DRUMMOND: You did go direct to quite a number of them?





MR. KRISTJANSON: Yes, I believe so.

COMMISSIONER DRUMMOND: On page 7 again under dairy products, you say: "The fact that fluid milk marketing is strictly controlled tends to ensure that the price spread on this product must not become too wide." Would I be going too far to conclude from that statement that you feel that that type of control, if applied in respect of other commodities, would help to control spread from becoming too wide?

MR. KRISTJANSON: I would certainly like to defer any comment on that at this time. I cannot say that I would like to see strict control of all products; that is on dairy products.

COMMISSIONER DRUMMOND: I think my final point is on page 8 where you refer to what you call the unreasonable spread between the various sizes of "A" quality eggs, and at the end of that paragraph you say: "This can probably be at least partially corrected through consumer education". What I am wondering is how much emphasis you place on that word "partially" -- partially corrected through consumer education. How fast can we hope to effect improvement by that medium?

MR. KRISTJANSON: I have no idea. I would expect, however, that extension methods of getting information to the housewife would have some effect on this bias. However, if she just does not like small eggs for her cake, I don't know whether we can do anything about it or not.

COMMISSIONER DRUMMOND: Would you be inclined





to say if we can do something by the process of consumer education it would be very very difficult to bring about the correct degree of price difference between these two sciences?

MR. KRISTJANSON: Yes, I would agree with that. However, I think the present policy of buying eggs still accentuates an already bad situation with respect to quality product.

COMMISSIONER DRUMMOND: You think perhaps the first step would be to consider a possible change in that policy?

MR. KRISTJANSON: Yes.

COMMISSIONER COUVRETTE: It has been indicated that the number of farmers have decreased a lot since 1951. I do not think that it has been indicated how it has affected the acreage farmed out in this province.

MR. KRISTJANSON: The acreage of production has increased since 1951.

COMMISSIONER COUVRETTE: Would you be in a position to indicate the proportion?

MR. KRISTJANSON: I don't know whether I have those figures with me, but I can certainly get them. They are available. I am sorry, I do not have them immediately with me. I can get them to you.

THE CHAIRMAN: Well thank you very much Mr. Kristjanson.

HON. MR. SHUTTLEWORTH: Mr. Chairman, if I might just mention one other question. I felt





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 800 -

Mr. Kristjanson

for some time that one of the hidden causes of this differential is taxation, and as one who is always interested in the level of taxes it would be one item that will be in the spread. I was wondering if you had any indication yet whether it is going to be an item of consideration?

THE CHAIRMAN: Well I have read the Chamber of Commerce brief, and it is coming in their brief. You see we have not overlooked it. I would suspect that you would know more about this than I do.

Is Mr. John Cowan here? We had you down for 11.30, but if you are here and do not mind, we will take a brief recess at the moment, and we will hear your brief immediately afterwards.

--- Recess.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 801 -

--- Upon resuming.

THE CHAIRMAN: Come to order, please.

The second brief of the province of Manitoba, Department of Mines and Natural Resources will be presented by Mr. John Cowan. This will be Exhibit 16.

EXHIBIT NO 16:

Brief on behalf of  
the Manitoba Government,  
Department of Mines and  
Natural Resources.

SUBMISSION OF  
DEPARTMENT OF MINES AND NATURAL RESOURCES  
Province of Manitoba

Appearances:

Mr. John Cowan - Deputy Minister of Mines  
and Natural Resources.

MR. COWAN: Mr. Chairman, ladies and gentlemen of the Commission, the presentation of this brief is made by the Department of Mines and Natural Resources, because the fisheries in Manitoba are administered by one of the branches in the department.

We have broken the brief into two parts. One might be called the historical aspect, and the second part dealing with the representations by the fisherman's representative on behalf of the fishermen.

Our fishermen are spread all over the province, ranging from Lake Winnipeg to Indian Lake, some 400 or 500 miles north of here. It is very





difficult to get them together at any time, particularly during the winter season when the fishing season is on.

The fisherman's representative is a new appointment made just approximately a year ago and he has to perform some of the duties similar to the agricultural representative in the field of agriculture.

He has only been on the job a very short time, and has not completely covered the whole province, but he has done his very best to obtain the opinion of the fishermen at large.

I would just like to say at this point that the submission on behalf of the fishermen, so far as the department is concerned, we at this stage neither approve nor disapprove of the representation. We are adopting at the moment a neutral attitude until the fish companies have an opportunity to present their argument. I understand that Mr. Caron has already received the representations from them.

To those not directly concerned the existence within the province of Manitoba of one of the largest and most valuable fresh-water fisheries in the world is only vaguely realized. The people of Canada have become accustomed to thinking of Manitoba as a Prairie Province famous for No. 1 Hard Wheat. Many industries such as the fishing industry have been overshadowed by the greatest industry of the province - agriculture. It is only in the last





decade or so when the development of its commercial fisheries reached a near maximum that the province received recognition for having within its boundaries not only the greatest potential but in reality one of the most important freshwater fisheries on this continent and elsewhere.

The early history of the commerical fisheries of this province is not easy to trace with accuracy. The fishery records of the Federal Government concerning the first or pioneering years of fishing in Manitoba are very meagre. According to the report of the Manitoba Fisheries Commission of 1910 and 1911 under the Chairmanship of Dr. E.E. Prince, the first commercial fishing venture was attempted in the year 1872 by a syndicate of a few Winnipeg businessmen who outfitted and operated a sailing vessel on Lake Winnipeg for the purpose of producing fish to supply the Winnipeg market. It appears, however, that the venture did not meet with success.

Icelandic settlements were located on Lake Winnipeg in 1875 and they fished largely for their own consumption. Winnipeg in 1875 was no longer the Prairie outpost of Fort Garry but was incorporated as a city and growing rapidly with an increasing influx of settlers.

The next commercial fishing enterprise on record was launched in the year 1882 when a sail-boat equipped with a few nets was placed into operation on Lake Winnipeg and is said to have





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 804 -

Mr. Cowan

produced 127,000 pounds of whitefish valued at about \$4,000.

In 1889, the commercial fisheries of Manitoba were valued at \$167,000, most of which was the marketed catch of three firms engaged in fishing on Lake Winnipeg.

In the early days, before transportation was available, most of the fish caught was disposed of locally and the market was limited. But when the railroads linked Winnipeg with the great American consuming centres, a great stimulus was given to fishing for the U.S. markets and this trade has continued ever since.

In 1892 or twenty years after the original fishing venture, the industry had grown to the extent that 250 men were engaged in fishing on Lake Winnipeg with equipment valued at almost a quarter of a million dollars and produced nearly 4,000,000 pounds of fish of all species. Compared with today when between six and seven thousand fishermen operate on the various lakes in the province producing on the average of 30,000,000 pounds of fifteen species of fish the annual value of which is anywhere from five to seven million dollars.

Other waters of the province were not fished commercially until the year 1885 when 340 pounds of fish were produced on Lake Manitoba.

In 1890, five years later, Lake Winnipegos is was fished commercially for the first time but it





was not until the year 1897 that fishing on a relatively large scale began to develop. The fishing industry in Manitoba became firmly established in the year 1895 and it has persistently expanded and grown in importance and value up to the present time.

The water area of the province is approximately 39,000 square miles. Of this area about 22,000 square miles of lakes and rivers are fished commercially.

The principal fishing waters are Lakes Winnipeg, Winnipegoside and Manitoba, whose combined areas exceed 13,000 square miles. In addition, there are now more than 75 small lakes and large rivers contributing substantially to the production.

About 100 different species of fish are known to occur in Manitoba. Of these 15 are of commercial importance: whitefish, pickerel, sauger, pike, tullibee, goldeye, sturgeon, lake trout, perch, sucker, shovelnose, catfish, bullheads, carp and maria.

The vast resources referred to above which provide a livelihood for a large number of the citizens of this province require constant supervision. The responsibility for this supervision rested with the Federal Government until 1930 when the natural resources were transferred to the province. On May 24th, 1955, a separate branch was established to administer the fisheries.





of fishery problems is constantly in progress, the ultimate goal being to place the fisheries on a sustained yield basis, consistent with a controlled fishing effort, and, as with other natural resources, so manage the fisheries that the benefits from them will accrue to the greatest number of citizens of Manitoba.

Production and Marketing: The domestic consumption of fish in Manitoba is stated to be about 8 pounds per person per year. An estimated 10 per cent of Manitoba produced fish is consumed in Canada and 90 per cent exported to the United States. Exercising control over prices is extremely difficult as the market is largely outside Canada. Considerable fluctuation of prices obtains in the fresh and frozen fish. Processing is having a stabilizing effect on prices.

The stages of cost plus profit are as follows:

1. The Commercial Fisherman (a) Capital Investment  
(b) Operating Expenses

Item (a) consists of investment in fishing station, boat, bombardier, truck, etc., while item (b) includes operating expenses such as fish nets, gear, wages, board, licenses, workmen's compensation, unemployment insurance, etc.

In the fiscal year 1956-57, there were 5,389 men engaged in commercial fishing.

2. The Packer: (a) Capital Investment  
(b) Operating Expenses.





Item (a) consists of investment in packing station, wharf, tools, etcetera, and item (b) covers running expenses including packing, ice, boxes, repairs, freight, licenses, unemployment insurance, etc.

For the year ending March 31st, 1957, 135 packers were licensed to operate in the province.

3. The Exporter: (a) Capital Investment  
(b) Operating Expenses

Item (a) consists of investment in packing station, wharf, tools, etc., and item (b) covers running expenses including packing, ice, boxes, repairs, freight, licenses, unemployment insurance, etc.

For the year ending March 31st, 1957, 135 packers were licensed to operate in the province.

3. The Exporter: (a) Capital Investment  
(b) Operating Expenses

Item (a) is investment in office building (if not renting) furniture, equipment, office expenses, processing plant and freezer, trucks, freighting boat, etc., and item (b) consists of salaries, wages, commission, insurance, financing both production and stocks, cartage, shipping, freight, storage, etc.

There are eight licensed exporting companies in Manitoba, all located in Winnipeg.

4. The Broker: A broker is employed on





occasion to dispose of fish especially when market is not good. He is located in any one of many of the larger U.S. cities and handles fish on commission for the exporter.

5. The Retailer: The cost to the retailer is (a) price paid the fisherman on the lake plus costs and profits of (b) the packer, (c) the exporter, (d) the broker or wholesaler.

6. The Consumer: He pays the cost plus profit of the retailer. In most cases there are four stages in which profits are taken before the fish reaches the consumer.

Fishermen: For the purposes of determining the extent to which fishermen held occupations other than fishing, an analysis of commercial fishing licenses in the summer and fall of 1949 and the winter of 1949-50 was made by the Unemployment Insurance Commission. In that period, 5,166 commercial fishing licenses were issued. Of this number only 2,801 were examined. The result of the survey disclosed the following occupations other than fishing:

Farming	604
Trapping	189
Lumbering and Logging	46
Mechanic	5
Construction	1
Carpenter	31
General Labour	610
Miscellaneous	<u>69</u>
A total of Fishing, only	1,555 <u>1,246</u>
Making a total of	2,801





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 809 -

Mr. Cowan

Subsidiary Industries: Subsidiary industries which are dependent wholly or in part upon fishing and fishermen include fish processing, transportation, fish box making, boat building, repairs to boats and vehicles and the manufacture of special clothing and provide employment for at least 6,000 persons.

Statistics: In the attached statistics is shown "Value to Fishermen" and "Value as Marketed". This should be interpreted as follows:

1. Value to Fishermen - means price to fishermen at the basin-hole or landed on shore at the fishing camp or packing station.
2. Value as Marketed - means the export price received by the exporting company.

The Spread: The spread between (1) and (2) above includes the original cost of the fish plus packing, freight, handling, storage, brokerage, financing, bad accounts, overhead, shrinkage in weight, profit taken by the intermediaries, etcetera.

The statement on page 8, contains the recorded annual production, value to fishermen, value as marketed, number of fishermen and the amount of capital invested for the years 1937 to 1957, inclusive, a period of 20 years.



STATEMENT OF PRODUCTION, VALUE TO FISHERMEN, VALUE AS MARKETED,  
NUMBER OF FISHERMEN AND CAPITAL INVESTED

1937 - 1957

	Quantity lbs.	Value to Fishermen	Value as Marketed	Number of Fishermen	Value of nets, Boats, Buildings and Equipment
37	28,554,000	\$1,293,009	\$1,610,020	3,871	\$1,025,219
38	28,818,900	1,381,808	1,812,727	3,629	994,362
39	34,078,700	1,273,939	1,769,474	4,064	1,105,088
40	28,359,200	1,292,110	1,682,689	3,662	1,100,822
41	38,935,500	2,193,976	2,754,271	4,418	1,225,066
42	36,866,000	2,553,573	3,277,685	5,201	1,641,431
43	33,678,800	2,959,921	3,843,331	5,752	1,688,409
44	33,413,900	3,536,378	4,522,203	6,288	1,949,170
45	27,393,000	2,516,537	3,234,727	5,985	1,865,632
46	34,244,100	4,034,248	5,343,570	6,520	1,985,700
47	28,696,600	3,303,711	4,853,738	7,293	2,558,865
48	30,110,000	3,492,037	5,408,326	6,483	2,384,573
49	31,528,700	3,181,286	5,414,583	6,764	2,442,628
50	29,502,600	2,820,559	4,800,387	5,313	2,044,560
51	31,467,800	3,879,757	6,599,474	5,912	2,970,038
52	35,457,600	4,263,187	7,664,503	6,578	3,692,285
53	31,338,100	3,438,677	5,876,555	6,423	3,544,057
54	23,359,400	2,717,076	4,818,924	5,447	2,943,877
55	28,441,500	3,087,959	5,435,305	5,970	3,108,243
56	34,936,600	3,476,843	6,146,761	5,775	3,044,127
57	30,395,800	2,947,008	5,390,267	5,389	2,938,548

ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 811 -

Mr. Cowan

I take it, Mr. Chairman, that it will not be necessary to read the table.

Production will be noted in 1936-37 as being approximately 28-1/2 million pounds and the value as marketed is slight over \$1 million. That was, of course, during the time when the prices for fish were exceptionally low.

The 1956-57 production was a little over 30 million pounds, and the value as marketed -- I am sorry, I gave you the wrong figure. The value as marketed for the years 1936-37 was \$1,600,000. The value as marketed for 1956-57 production was \$5,390,000.

We have included at the back of the first part of the brief, Mr. Chairman, certain references to which the Commission, if they see fit, will have access. We will produce that for them if they so desire.

(Page 812 follows)





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 812 -

SUBMISSION BY  
FISHERMEN's REPRESENTATIVE

Appearances:

Mr. John Cowan

THE CHAIRMAN: The second submission is on behalf of the fishermen, and by the Fishermen's Representative.

As a representative of the Manitoba Fishermen in the employ of the Provincial Government it is my pleasure to present to this Royal Commission on Price Spreads this brief, with the hope that it will be of some assistance in this most important investigation.

The fishermen believe that this form of Government action is of great benefit to them, as under existing conditions they are in a most unfavourable position.

While the profit from fishing and the standard of living of the fishermen is on the decline, the exporters appear to be expanding and seem to be in a healthy financial condition. This creates some doubt, amongst fishermen as to the profits taken by the distributors and causes dissatisfaction and animosity between fishermen and fish company.

Fishermen feel that the actual profits of the fish companies are much in excess of those claimed and prices are lowered or raised without any regard to supply or actual market demands.





It is felt by many that the reason for the higher and most satisfactory prices paid this last winter was the realization by the fish companies that this Commission had been instructed to include fisheries in its investigations.

Investigations have been made before into fisheries with very little benefit to fishermen in so far as price spreads are concerned. The fishermen therefore ask this Commission to examine thoroughly the spread in price between producer and consumer. It is realized that approximately 90 per cent of our product is exported to U.S.A. and the difficulty involved is obtaining the prices paid by American wholesalers to Winnipeg companies. It is encouraging to note that this Committee has been empowered with sufficient authority to examine records and question witnesses. Although the fishermen are not suggesting any sharp practices on the part of the companies, they want some assurance of a just and full share for their production.

Many reasons may exist for companies taking excess profits, i.e.:

(a) In the past all the companies have assisted heavily in financing the operating cost of the production and have lost money in unpaid accounts, this ultimately comes out of the price paid the fishermen, lately these companies have been more careful in advancing and therefore not as many bad debts have been incurred. This saving should be





passed on to the fishermen.

Certain small groups of fishermen finance themselves, but this practice becomes less pronounced as fishermen do not receive any added compensation for their effort.

(b) With heavy demands of the market for a processed product such as packaged fillets which have called for modern filleting plants and freezing units, our products become less perishable and wastage is reduced to a minimum. There is no longer the need for setting aside a certain percentage of price to take care of wastage.

(c) While fish company offices appear to be operated efficiently, and well organized, although possibly overstaffed, the outside operations are carried on in a most uneconomical manner. Many companies could work in co-operation in fish packing and freighting, there is much extravagance in the method of handling boxes, and general disregard for preservation of equipment.

To be assured of a livelihood for their families and possibly realize a small profit, the fishermen must receive all that they can for their product, fishermen cannot understand the reason for the vast spread in price and often advertised in papers throughout the province.

(1) On February 17th, 1958, a retailer in the city of Winnipeg advertised in a local newspaper Whitefish from Lake Simonhouse at 51 cents per pound.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 815 -

Mr. Cowan

The fishermen of said lake received from 10 cents per pound in November and December, 1957 and 18 cents per pound in January, 1958.

The only expense to be added to this price is the freight and cost of sealing.

(2) On the same sale Northern Pike fillets were advertised and sold for 65 cents per pound.

The price the fishermen received for this on the lake was from 2 cents per pound to 4 cents per pound.

(3) In last summer's Whitefish operation on Lake Winnipeg the fishermen received 27 cents per pound for medium Whitefish and 7 cents per pound for small Whitefish of 1-1/2 pounds and under. Very often the fraction of an ounce decided the value of this fish and with this tremendous spread much money was involved. Many are of the opinion that this fish was regraded before export and fishermen sustained quite a loss moneywise. The fishermen received 15 cents per pound for this small Whitefish 1-1/4 pounds, and under in the summer of 1956.

With present intensified fishery operations price spreads between seasons should be examined, this would determine the time or season of operation where the fishermen would realize the most out of his production.

The procedure in the past has been that companies have paid to fishermen 8 to 9 cents per pound for summer caught headless Saugers.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 816 -

Mr. Cowan

A Fall Sauger season commences on September 10, and ends the end of October and for the past two Falls the fishermen received 11 cents per pound for headless Sauger. A week or ten days after this season comes to an end a Winter Sauger season commences and prices rise to 16 cents and often to 22 cents for round Saugers and in December of 1957 fishermen received 27 cents per pound for headless Saugers.

Are these Summer and Fall prices dictated by actual market demands or are they set by fish companies for more speculation?

These and other questions will be answered through this investigation, and the fishermen await its outcome with great anticipation, with the view to better understanding of fishery problems and possibly more profitable seasons.

Gill-net fishing is an expensive operation and fishermen are compelled to buy a certain amount of nets, twines, ropes, etcetera every season in order to keep up their equipment for top production. These nets, twines and ropes are very expensive and the fishermen ask this Commission to include in their investigation the prices of nets and equipment, determine whether they are fair and just and whether fishermen could obtain nets, etcetera at lower prices.

The fishermen of our province are hard working people, they have to work under adverse weather conditions, poor production, and seasonal





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 817 -

Mr. Cowan

employment, therefore they must realize as much as possible from their production. The appointment of this Commission can be of great service to the fishermen and the fishermen have faith in the outcome of the investigation, believing that it will be to the betterment of all concerned in the industry.

If it should be the wish of this Commission to meet with any fishermen or groups of fishermen to discuss these problems, the undersigned would be very pleased to assist in arranging for such a meeting for any date the Commission desires.

THE CHAIRMAN: Thank you, Mr. Cowan. Mr. Tomasson is not here.

MR. COWAN: He is here. Mr. Stephanson as supervisor of commercial fishing is with me too.

THE CHAIRMAN: I think you might ask these gentlemen to come forward.

MR. COWAN: Mr. Stephanson on my right and Mr. Tomasson on my left.

THE CHAIRMAN: For the record, Mr. Tomasson, what office do you hold in the organization?

MR. STEPHANSON: Fisherman's representative.

MR. COWAN: Appointed by the Provincial Government, Mr. Chairman.

THE CHAIRMAN: You are an employee of the Provincial Department?

MR. TOMASSON: Yes.

THE CHAIRMAN: Mr. Stephanson, what is your position?





MR. STEPHANSON: I am appointed as chief inspector of fisheries for the Province of Manitoba.

THE CHAIRMAN: And you are also an official of the Department?

MR. STEPHANSON: Yes, that is correct.

THE CHAIRMAN: Your submission, Mr. Tomasson, is presenting the fisherman's point of view although you yourself are not an official?

MR. COWAN: Mr. Chairman, in that connection Mr. Tomasson has been a commercial fisherman for -- I wouldn't want to guess how many years, I don't know the date, but he and his father and some of his brothers have been commercial fishermen on Lake Manitoba for a great many years, and it is only a little time ago that he was appointed to his present position. He has a practical knowledge of the commercial fishing as well.

THE CHAIRMAN: But there is no organization of fishermen?

MR. COWAN: There is no central organization, but at the present time Mr. Tomasson is endeavouring to organize local groups so that there will be some central body or bodies with whom we will deal, but at the present time it is a very loose organization. Until Mr. Tomasson started his work about a year ago, there was no central group at all, and we had no way of contacting 6,000 people scattered all over the province if we wanted to discuss a problem with them.

THE CHAIRMAN: I just wanted Mr. Tomasson's





qualifications on the record.

I am going to ask Mr. MacKichan if he would ask some questions, but before he does I would like to refer to page 5 of the portion of the brief which is submitted by the fishermen's representative and particularly to the request that the Commission include in their investigation the prices of nets and equipment. I am afraid I must say that this is outside of the Terms of Reference of our Commission, and while it may be a very serious problem to the fishermen, it is not within our jurisdiction really to study this matter.

COMMISSIONER MacKICHAN: Mr. Cowan, I am sure the Commission is grateful to you for the historical background here which will be of much use to us, but we will not make it the subject of any questioning; I think it is as factual as you can make it and relates the circumstances.

On the bottom of page 3 you mention that the responsibility for supervision is taken over from the Federal Government. What relation has this to grading? Is the grading done by Provincial or Federal service?

MR. COWAN: The grading for export is done by the Dominion. At the present time we are negotiating with the Dominion with the view to have them take over the grading for Provincial consumption on the ground that there is no sound reason for setting up a duplicate inspection service. So the actual grading is done by the Dominion.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 820 -

Mr. Cowan

COMMISSIONER MacKICHAN: Which is the case in all other provinces.

MR. COWAN: Yes.

COMMISSIONER MacKICHAN: We are faced here, under production and marketing, with the same difficulty we have on the East coast in that there is such a small percentage of the product consumed locally or consumed within the province. It is difficult to follow it to the retail without any substantial portion of the product and relate retail prices to the fishermen's prices in a volume which would affect the final price.

Under the heading "Commercial Fisherman" here, would you just tell the Commission briefly what constitutes a commercial fisherman? Is he self employed, or an employee of the companies?

MR. COWAN: A great number of them are holders of licenses and operate for themselves. In certain cases -- for instance, the Whitefish season in Winnipeg which starts the first week in June, some of these men, although they will hold a commercial license, will be hired men on a wage basis for the season, and that also applies to the Winter months when they are fishing through the ice. There are a certain number of men who are hired. One man will be what is called the key man, but he holds exactly the same type of license as the two men he is permitted to hire to help him in his operation. So we can't tell from the licensing position which ones are on their





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 821 -

Mr. Cowan

own and which ones are hired, but we know from experience that a great number operate for themselves.

COMMISSIONER MacKICHAN: I guess we would call the key man the captain.

MR. COWAN: On the boat on Lake Winnipeg the key man is the captain too.

COMMISSIONER MacKICHAN: Would the boat be owned by the fisherman?

MR. COWAN: No, it would be owned by the company and the company would rent him the boat, having a rental figure for the season. The upkeep on the boats, large boats up to about 38 to 40 feet, they have to be used on Lake Winnipeg because of the treacherous nature of the lake, but not too many men own their own boats and they argue it is cheaper for them to rent the boat from the company and pay them a nominal rental than to own the boat themselves.

COMMISSIONER MacKICHAN: How is the fisherman paid?

MR. COWAN: You mean when he is working for wages?

COMMISSIONER MacKICHAN: Yes. I am particularly interested in the man under him, the share man or whatever you call them.

MR. STEPHANSON: Normally the helpers on these boats are paid their wages, they receive remuneration by way of wages. The captain of the boat has three sources to select from: One is so much per pound, another one is a commission





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 822 -

Mr. Cowan

basis, and thirdly, he might go out on a straight wage and the company supplies all the equipment, all the gear and so on.

COMMISSIONER MacKICHAN: Would the fisherman be paid monthly or weekly or would it be a share of the catch?

MR. STEPHANSON: A monthly wage, with two months season, Whitefish season. Of course, it varies. In the Winter time it is on a two-monthly basis. Normally they have been in the habit of paying them so much a season. I don't know. It is rather a unique way of paying a wage. If a man happens to work eight weeks he receives \$300 for his board, and he may have to work 10 weeks if the season is extended. Often at times that has been a point of argument between the wage earner and the captain of the boat.

COMMISSIONER MacKICHAN: And would it be subject some time to Government regulations involving conservation? The season might be shortened or lengthened?

MR. STEPHANSON: That is right. They are subject not necessarily to the wage man who operates on the boat as a helper. Now the captain is fully responsible for the type of gear he uses and the method in which he operates.

COMMISSIONER MacKICHAN: Now the packer?

MR. COWAN: I think the best way to illustrate the packer would be to take the north end of Lake Winnipeg which we call our Whitefish





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 823 -

Mr. Cowan

area. Now we presume, we are hopeful that there will not be more than 100 boats go out. In the past there have been 150 boats go out, and they operate from different places on the lake. They have to do that, because they set out a great number of nets and you have to have them spread around so that you will not have too much concentration on fishing in one place.

Now the packer in the Fall season is the man who operates the stations, and to whom the fishermen operating in skiffs bring the fish for packing. All the packer does is he handles the fish, adds his packing charge to the price and then he retains that out of the selling price. It is usually a flat charge by the way, the packing charge.

COMMISSIONER MacKICHAN: This packer is what you referred to before as the fishing company?

MR. COWAN: It would not necessarily be. It might be individuals. Quite a number, particularly in the Fall season which is not as large an operation as the Summer season, he could be an individual who was a commercial fisherman who made money, not too many of them do, and went one step up the ladder and became a packer. Rough way of describing it.

COMMISSIONER MacKICHAN: The exporter?

MR. COWAN: He wouldn't be an exporter.

COMMISSIONER MacKICHAN: No, but the next paragraph, I am sorry.

MR. COWAN: The exporter would be the company.





COMMISSIONER MacKICHAN: Would be the company.

MR. COWAN: His part is to take from the packer or from the individual fisherman and handle the exportation to the United States mostly.

COMMISSIONER MacKICHAN: Financing the operation?

MR. COWAN: Yes.

COMMISSIONER MacKICHAN: Now in all of these stages you mention licensing as part of the cost. Is that license fee just a nominal fee?

MR. COWAN: No.

COMMISSIONER MacKICHAN: Is it large enough that --

MR. COWAN: No, in some provinces, as you are no doubt aware, they do charge a royalty, a nominal license plus a royalty. Now we do not charge any royalty, but we do charge a license for the right to fish, and that license fee is graduated according to returns which we anticipate the fisherman should get from the operation.

Now sometimes we make mistakes in our calculation according to the fisherman, and no doubt we do. As an example, the Whitefish operates in the north end of Lake Winnipeg, which is considered to be the top hat business of the fish business. They pay a license fee of \$50.

COMMISSIONER MacKICHAN: The fisherman?

MR. COWAN: The fisherman, that is the captain on the boat. There are no licenses -- on





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 825 -

Mr. Cowan

each boat there are four men, the captain and three helpers. Now the captain he pays the \$50 for licensing, but there are no licenses so far as the other three men on the boat are concerned.

COMMISSIONER MacKICHAN: And at the next stage?

MR. COWAN: That is \$50, but then it graduates down to a fee of maybe \$5 for the little man who is fishing in open water, in what we call a skiff.

COMMISSIONER MacKICHAN: What would be the license fee for the packer?

MR. COWAN: That is according to the number of boats that operate from his station. I think the minimum fee is \$50 plus -- \$100 is it? Plus so much for each additional boat over five.

COMMISSIONER MacKICHAN: Now the exporter?

MR. STEPHANSON: The exporter pays a flat license of \$250.

COMMISSIONER MacKICHAN: If we turn over to the statistical sheet, we are not going into it in any detail, but there are one or two points that come up. In the work of this Commission, while the scope is a little wide, but generally speaking we are drawing attention, or would like to get information on the years 1947, 1948 to 1956 and 1957, and the figures here that are rather striking, is that the quantity in pounds is almost precisely what it was at the beginning. We have gone the full turn of the wheel of 30 million and back to 30 million.

MR. COWAN: That could be accounted for





in part, Mr. Commissioner, by the fact that during the war years when food was a scarce article, we opened quite a large number of lakes in Northern Alberta which had never been fished before, and in fact which we did not expect would be fished after the war, but that did not prove to be right. They are fished up to this day.

COMMISSIONER MacKICHAN: And then the value to the fisherman has declined 550,000, and the marketing value is just practically even in the whole ten years, but the number of fishermen according to the other brief indicated has decreased by 1,100 fishermen?

MR. COWAN: Yes.

COMMISSIONER MacKICHAN: So 1,100 fishermen in that time received a half a million dollars less than before, and the last one is not so significant, that is the value of gear that these 1,100 fishermen are using has increased in price by another half a million dollars. That I think is about all we have on that portion of the brief.

Now if we turn to Mr. Tomasson's portion, the second half of the fourth paragraph, far be it for me to minimize any credit that is due this Commission, but in as much as probably we never get credit during the lifetime of the Commission to this extent or probably blame, I am not sure which, but I probably have to minimize it a bit, that prices had increased a little bit generally during this past year haven't they? The market price?





MR. TOMASSON: Yes they have, especially this winter.

COMMISSIONER MacKICHAN: We would be willing to share with the market. Now there is in the second, in the third paragraph, certain groups of fishermen finance themselves, you mentioned. What attempt has there been to organize these fishermen and with what result? These fishermen that were able to finance themselves, to organize them into a co-operative?

MR. COWAN: That was one reason why the Government appointed Mr. Tomasson with the idea of organizing the fishermen into groups. I don't know that it would go to the extent of co-operatives, but at least into groups. The fishermen in Manitoba had one or two very bad dealings with co-operatives, and some of the men who have lost a good deal of money in a certain co-operative are still around. If they are not around, it is their sons, and the recollection is still very keen, and for that reason it might be somewhat difficult to organize them into co-operatives.

Another feature there is that the fishermen are so widely scattered that there is no central body at the moment at least at which a certain amount of education might be carried on, and due to the scattered nature of the operation, and the fact that transportation is such a tremendous item in the cost of the production, either by tractor train or in some cases plane from the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

northern lakes that it would be rather difficult to set any yardstick which would apply to co-operatives generally.

COMMISSIONER MacKICHAN: And the cost of processing plants, there are some of these plants that are expensive. There is a capital investment there that is very substantial that might be, might offset a small group or even a larger group of fishermen. Now on page 3, there are some comparisons drawn between prices received under February 17th, 1958 between Whitefish, 51 cents a pound and then it looks like 10 cents a pound in November and December, 1957 and 18 cents a pound in January, 1958. Is this precisely the same, or has there been some processing in the meantime?

MR. COWAN: I think in the case referred to, Mr. Commissioner, that this product was taken from the Simonhouse Lake at a certain rate which was laid down in here at 51 cents a pound.

COMMISSIONER MacKICHAN: The sentence says it just includes freight and scaling.

MR. COWAN: Freight and scaling would come off that, plus a certain amount of intermediate handling. There may have been two or three intermediaries in there handling things, passing it from one to the other.

COMMISSIONER MacKICHAN: Would there be boxing?

MR. COWAN: Boxing, yes.

MR. TOMASSON: Boxed, and freight possibly





from the Lake to the railhead and from the railhead.

COMMISSIONER MacKICHAN: And then the Northern Pike fillets. Well now, we of course here are definitely coming into a difference. Here we come into frozen herring, halibut, from the 2 to 4 cents to 65. What would be the conversion factor? What portion of that Northern Pike as it was bought for 2 and 4 cents would --

MR. COWAN: The edible portion would be roughly about 40 to 45 per cent, would cover it.

COMMISSIONER WALTON: Not as fillets?

COMMISSIONER MacKICHAN: Yes, as fillets.

MR. COWAN: From the whole fish to the fillets roughly 40 per cent.

COMMISSIONER MacKICHAN: 40 per cent would cover it, and the conclusion of the brief you just consider that is a bit wide. In handling fish fillets, and particularly where the consumption is down to 10 per cent, we consider that the mark-up would probably need to be somewhat higher than it might be in a part that has a large turnover and a rapid turnover. Fish moves somewhat slowly.

MR. COWAN: Fish moves very slowly here. No question about that, and as a matter of fact some of the chain stores are reluctant to handle it at all, because it does move so slowly, and I think likely that it is accounted for, a substantial portion of the mark-up because fish, as you know, deteriorates very rapidly, and if they have to carry it over from Saturday to Monday, it may mean throwing it out





- 830 -

Mr. Cowan

altogether and a complete loss.

COMMISSIONER MacKICHAN: Now then on page 4 you do refer to the storage and I take it from the implication here that there has been a fairly wide margin taken into storage, and the risk investment?

MR. COWAN: That is right.

COMMISSIONER MacKICHAN: It is at least adequately covered. As our Chairman Dr. Stewart has noted on the middle of page 5, and I note does not come within the Terms of Reference, and possibly neither does my next question, and that was what effect you think unemployment insurance for fishermen will have on the industry and on the fishermen.

MR. COWAN: We do not think unemployment insurance as applied to our fishermen will have very much of an impact at all. We think that the conditions under which the fishermen qualifies are almost wholly inapplicable here.

COMMISSIONER MacKICHAN: You mean on account of the seasonal feature?

MR. COWAN: On account of the seasonal feature. He is fishing, or not fishing at a time when, according to regulations he has to be fishing in order to qualify, and that is the time when we prohibit them from fishing due to conservation measures and so on, and so on.

COMMISSIONER MacKICHAN: Mr. Chairman, that concludes the questions I would like to ask.

COMMISSIONER WALTON: May I ask you one question where on page 4 and 5 you refer to the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 831 -

Mr. Cowan

Summer, Fall and Winter. What is the name of that fish, Sauger?

MR. COWAN: Yes.

COMMISSIONER WALTON: Have you any knowledge, when you are only getting 7 or 8 cents in the Summertime, is there any corresponding drop in the price of the fish which is retailed in the Province?

MR. COWAN: I do not think I can give a very accurate answer to that as so much of our fish is marketed outside the province, and our knowledge as to what the ultimate selling price is, is so very meagre and the companies are not too co-operative to supply us information of that kind.

COMMISSIONER WALTON: I gather the export price has an influence on the price it is sold at here?

MR. COWAN: Yes.

COMMISSIONER WALTON: I just wondered if there was a fluctuation. The fisherman gets 7 or 8 or 27 cents depending on the season -- whether the export price and the retail price fluctuated to the same extent.

MR. COWAN: I would say off hand that Sauger at 27 cents, which I think was the peak last Winter, I would not think that would be marketed locally at all. I think the demand was from the American markets, a special demand may be due to a falling off of fishing in Lake Erie or something of that kind; which affects us here very very seriously in the same way if the Great Slave Lake produces very





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 832 -

Mr. Cowan

heavily, we know about it two days afterwards. They are balanced.

If there is too much fish comes on the market from there, in a sense it affects the whole market here, and the problem there is that once the price drops it seems to be extremely difficult to get it back up again, notwithstanding that supplies seem to disappear.

COMMISSIONER DRUMMOND: On page 4 of the first part of your submission the first sentence under production and marketing you state "the domestic consumption of fish in Manitoba is stated to be about 8 pounds per person per year." Has that been going up or down or has it been roughly constant?

MR. COWAN: It has been very extremely low all over the years. I think possibly that is due in part to the fact that the bulk of our production has been sold in the States. The States will pay a higher price for fish than our local people will. Therefore, it pays the exporters to export.

Now, during the war years when food was in demand here, the Dominion Government did step in and insist that companies here market a certain portion of it here. Now, they marketed that portion here at a much lower price than they could have sold it in the States.

There may be some indication that there is a little increase in local consumption due to a rather odd incident. That is the fact that sport fishing is becoming of tremendous importance and attractive





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 833 -

Mr. Cowan

in Manitoba, and I suppose the fact that a man goes out and catches his own fish and fries it on the bank of the stream and gets a liking for the fish maybe, when he comes back in again he will be more interested in that.

We have somewhere between 60 and 65,000 people who take out angling licenses each year. There may be through that source some increase, but generally speaking the consumption of fish is confined to a large extent to the Icelandic population, who still retain their love for fish, and its products, and to some of the Central European peoples who buy the cheaper grades of fish. They do not touch the more expensive, but they buy the cheaper grades of fish.

COMMISSIONER DRUMMOND: You have not noticed any results in the way of extra consumption due to say consumer education?

MR. COWAN: We had a situation here last Winter where there was a surplus of Whitefish on God's Lake produced up in Northern Manitoba. That was a frozen fish. As far as fresh fish was concerned, there was an excellent market for it, but for some reason frozen fish just would not move at all. I notice Mr. Wachs is in the audience this morning when I came in from the Retail Manufacturers Association. In co-operation with his organization and the chain stores and the fish companies, we put on a campaign to assist in disposing of that surplus fish. Rather miraculously the surplus





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 834 -

Mr. Cowan

disappeared, but I do not want to accept the credit under false pretenses. I am not too sure our campaign had too much to do with it. I am more inclined to the view that some of the people across the line had their eyes on this fish, and were looking for surplus fish at a bargain. Then when they found out there was a possibility it might be selling locally, that affected them because the surplus disappeared and I do not think it disappeared via our efforts, quite frankly.

COMMISSIONER DRUMMOND: You mention that by far the larger part is exported. Is there much sold outside of the province within Canada.

MR. COWAN: 90 per cent across the line and 10 per cent locally, and mostly in Ontario and Quebec. I would think that about half of that 10 per cent, or about 5 per cent in Ontario. Windsor, Toronto and Hamilton are fairly good markets for our fish.

COMMISSIONER DRUMMOND: In the same paragraph you state that "Exercising control over prices is extremely difficult as the market is largely outside Canada". Just what had you in mind by that phrase "exercising control"?

MR. COWAN: Well, I think, Mr. Commissioner, that we were throwing ourselves on the mercy of the Commission about that time. I am not too sure that we had anything particularly in mind except to pinpoint the fact that our production is disposed of beyond the jurisdiction of the province. There is not very much we can do about it.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 835 -

COMMISSIONER DRUMMOND: There was no particular point. You were not talking particularly about marketing boards or price support.

MR. COWAN: Well, there is a marketing board in an adjoining province, which has received a good deal of attention. We have never adopted the same system here, and again one of the objections to a marketing board, so far as we are concerned, is the scattered operations which we have had. If we had one big lake where we had the fishermen altogether where you could have your packing shed, and your freezer and so on -- but with our scattered operations it is just not feasible. It would not stand the cost of packaging sheds and freezers and so on at these small points.

COMMISSIONER DRUMMOND: At page 5 you mention that for the year ending March, 1957, there were 135 packers licensed. I was wondering is there is much difference in the size of those 135.

MR. COWAN: Oh yes. Some of them would be very small. That is 135 for the whole year. That would take in the three seasons which we have. The Whitefish season starts on the first of June and ends early in August. Then we have the Fall season starting early in September and ending on October 31st and the Winter season starting November 11th, or as soon as ice makes -- they have it up until March 15th, so there would be packers engaged in all of those operations. Some of them would be very very small.

COMMISSIONER DRUMMOND: Some of them quite





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 836 -

Mr. Cowan

large?

MR. COWAN: Some of them would be quite extensive, yes.

COMMISSIONER DRUMMOND: Is one of the main reasons for licensing to limit the number?

MR. COWAN: No, I would not say that it was the main reason. I would say the reason for licensing control, a certain amount of revenue to cover the cost of the patrol boats and fishery officers and all the incidental supervision which any fishery requires.

COMMISSIONER DRUMMOND: There is no attempt made to really limit the number of those licenses?

MR. COWAN: Oh yes. On some of our lakes we even got down to the point where we not only limited the number of licenses, but we limited the amount of fish that a man could take under that license. That is getting down pretty fine.

There was a lot of argument against that system on the ground that we were putting a handicap on the man who was the hard worker and who could make much more than that if he wanted to do so, and we were bonusing the laggard who took the whole season to produce the limit that was provided for him; but we have discontinued that now within this last year, that is, the individual limit.

Now, it is a rat race with a limit on the production of the particular area in the particular season. We still have an overall limit.





COMMISSIONER DRUMMOND: In the second section, page 2, it says "Many reasons may exist for companies taking excess profits". Does the word "excess" mean that it is excessively inefficient?

MR. COWAN: The complete and literal interpretation of that would be more profit than the fisherman think they should have.

COMMISSIONER DRUMMOND: I just wanted to be clear about that. That is all I have.

COMMISSIONER KIDD: There are one or two questions. On the table on page 8 you have quantity, value to fishermen, value as marketed. At what level is the value as marketed taken at? Is that the wholesale price or is that the final price?

MR. STEPHANSON: That is taken on the average export price during the year. Due to the fluctuation, of course, in the price in the various species of fish, for instance, the price may vary from 20 cents a pound up to as high as 48 to 50 cents a pound during the winter season. That would be the export price.

COMMISSIONER KIDD: The exporter?

MR. STEPHANSON: Yes.

COMMISSIONER KIDD: But you don't know the final price that the consumer pays?

MR. STEPHANSON: No. They may be fantastic. There will be cases where it may go as high as a dollar.

COMMISSIONER KIDD: So you are only interested in the spread between the value the





fisherman receives, and the value that the exporter, domestic exporter receives?

MR. STEPHANSON: Yes.

COMMISSIONER KIDD: That is the area you are talking about?

MR. STEPHANSON: Yes.

COMMISSIONER KIDD: Is there any fish canning done?

MR. STEPHANSON: Not in Manitoba. It is all strictly processed, filleted in one-pound packages and 12-ounce packages.

COMMISSIONER KIDD: Is the value to the fisherman for a whole fish, or does the fisherman have to do anything to the fish?

MR. STEPHANSON: It can be clean fish, or it could be headless, dressed, or it might be round, depending on what the market value is.

COMMISSIONER KIDD: This question has been brought up already, but you talk about the higher price received last winter. That is not the 1956-1957 season, that would be --

MR. STEPHANSON: Oh, that isn't down.

COMMISSIONER KIDD: So there has been a change since then?

MR. STEPHANSON: Yes. Those high prices paid last winter could be due to the fact that Lake Erie did experience almost a complete failure, particularly in Blue Pike, the same as our Sluger here.





THE CHAIRMAN: Mr. Cowan, in our selection of the commodities we thought we would give special study to we have included Whitefish fillets, and we did that in order to get the products of the inland fisheries in. There is a suggestion in the brief we are going to hear this afternoon that this is not a representative product. I gather you think it might be better for us to take the whole fish and not the fillet.

MR. COWAN: Mr. Chairman, I think in that connection the housewife has an awful lot to do with how the fish should be marketed. For years all the fish in Manitoba was marketed in the round. Now my experience, and I speak from personal experience, is that the housewife wants the fish in such shape that she takes the wrapper off it and puts it in the pan and fries it. The housewives will not clean and scale fish, and apparently they can't get their husbands to do it either. The whole concept of marketing fish is changing and we have to go along with that trend if we are going to retain or obtain a market for the fish. Now, Whitefish presents some difficulties in filleting; the flesh of the Whitefish is not as firm as the flesh of, say, the pickerel which makes an excellent fillet, but they are over-coming that difficulty, and even in Manitoba we are filleting Whitefish now. There is a plant over in Eastern Manitoba which started up last Fall which is marketing quite an amount of filleted Whitefish. But we say that





plant where the filleting is done should be at the source of supply, and that they shouldn't go to a lot of expense either by tractor train or plane or whatever it might be. We think that the plant should be right at the source of supply, and it provides a lot of employment in that area too, Where you can possibly avoid air freight. In my humble opinion you cannot pay air freight on the whole fish and pay the fisherman any reasonable amount. If you deduct that there is practically nothing for the fisherman. We think the whole system of handling fish is changing, has to change, if we are going to retain the markets.

COMMISSIONER MacKICHAN: Would this scattered production prevent the establishing of a plant back at the point of production? Would there be any concentration, a sufficient concentration of fish to justify that?

MR. COWAN: Yes, God's Lake over on the south-east, South Indian over on the North, there are very big lakes there, with 600,000 or 700,000 pounds in the winter and some in the summer. Now, if you are going to convert to filleting, we think it should be a separate operation, that is an open water operation, rather than a winter operation as it is at the present time, because if you are producing the fish in the wintertime, you have got a certain distance that you have to travel, and if the fish is frozen, you have got to thaw it out, and so on, so we think it would have to switch over to the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 841 -

Mr. Cowan

summer operation or what we call it an open water.

COMMISSIONER MacKICHAN: This 600,000 or 700,000 pounds, was that the amount you mentioned might be available?

MR. COWAN: Yes.

COMMISSIONER MacKICHAN: Fairly small operation?

MR. COWAN: Well if the situation -- we have held it at that figure for winter operation, because on the winter operation there is a limited market for the frozen fish. Now if in the summertime they were purchased and filleted, possibly the Commission might have an investigation survey to justify the larger amounts.

THE CHAIRMAN: Thank you very much Mr. Cowan and Mr. Tomasson and Mr. Stephanson. We are very grateful to have this information made available to us.

We will adjourn for the lunch hour and the hearings will open at 2 o'clock in the City Hall.

--- Luncheon adjournment.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 842 -

--- Upon resuming at 2 o'clock.

SUBMISSION OF  
MANITOBA FEDERATION OF AGRICULTURE  
and CO-OPERATION

Appearances:

C.C. Dixon

R.E. Moffat

MANITOBA POOL ELEVATORS

R.E. Moffat

D.W. Richmond

MANITOBA DAIRY & POULTRY CO-OPERATIVE LTD.

J.T. Monkhouse

THE CHAIRMAN: Come to order, please.

The first brief this afternoon is on behalf of the Manitoba Federation of Agriculture and Co-operation, and I believe Mr. Dixon will be presenting this brief.

If there are others with you whom you would like to have up --

MR. DIXON: Yes, Mr. Chairman.

THE CHAIRMAN: If you would come forward.

Your brief will be Exhibit No. 17.

EXHIBIT NO. 17: Brief of the Manitoba Federation of Agriculture and Co-operation.

THE CHAIRMAN: I wonder if you would first tell us what your relationship is to the Federation?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 843 -

MR. C.C. DIXON: I will do that, sir. I am the managing director of the Manitoba Federation of Agriculture and Co-operation, and before we move into the brief proper with your permission, sir, I would like to introduce those gentlemen who are also identified with this brief.

The brief itself following the introduction is in commodity sections, and we have gentlemen with us today who are identified with those commodities.

Mr. Moffat representing both the Federation and Manitoba Pool Elevators.

Mr. Monkhouse representing the United Poultry and Dairy Co-operative Limited.

Unfortunately sir, due to the weather, a few of our group are not able to be with us. As one gentleman expressed it on the telephone this morning, Mr. Peters who is President of the Co-operative Creamery Limited at Winkler and also the Co-operative Vegetable Oils, he is very interested in all of these spreads and put it in like fashion but he thought he had better stay home and defend his own farm from spreading too far.

Then I also wish your permission, Mr. Chairman, to omit the longer tabulations, and tables in the brief.

THE CHAIRMAN: Yes sir. If you will, as you come to them, refer to the heading of the table and try to mention the opening items and the closing items, we will have the rest of it put





into the record.

MR. DIXON: Thank you.

THE CHAIRMAN: Have you overlooked Mr. Richmond?

MR. DIXON: No, Mr. Richmond is being very modest today, sir. May I introduce Mr. Richmond.

THE CHAIRMAN: Would you read your brief, please?

MR. DIXON: Yes.

Your Commission is directed to matters which are of vital concern to the Manitoba Federation of Agriculture and Co-operation and to its farmer members. Before beginning to deal with these matters however, it will probably be useful to set out the nature and extent of the membership of the Federation.

The Manitoba Federation of Agriculture and Co-operation is, as its name implies, an organization representing farmers and farm families as well as agricultural co-operatives in the province. Its farmer members are organized into 7 districts each of which has a district board which meets from time to time to discuss agricultural matters from the point of view of farmers in that district. At the annual district convention one director is elected to represent that district on the provincial board. In addition to the 7 district directors, one director is appointed by each of the following farmer operated co-operatives, namely, Manitoba Pool Elevators, United Grain Growers Limited, Manitoba Dairy and Poultry Co-operative Limited, Federated





Co-operatives Limited and 2 additional directors are appointed by the other member co-operatives. The balance of the Board of 15 directors consists of a representative of the Co-operative Promotion Board of Manitoba and the Chairman of the Women's Committee of the Federation which is representative of the 7 districts of the Federation.

The aims and purposes of the Federation are set out in its charter as follows:

"The aims and purposes of the Federation shall be:

- (a) To promote the social, economic, physical and cultural well-being of the people of Manitoba.
- (b) To promote the co-operative philosophy as a method of business and way of life.
- (c) To represent farmers and co-operatives before Governmental and other authoritative bodies.
- (d) To join with like organizations in other provinces in order to promote unity of purpose in the ranks of farmers and co-operatives across Canada."

Many Manitoba farmers and their families belong to several of the member bodies of the Federation and consequently it is impossible to calculate an exact figure of the number of member families associated with the Federation. At the present time





it is approximately 41,000.

Your Commission is directed to study and report upon "the extent and causes of the spread between prices received by producers of food products and the prices paid by consumers" and you are to consider whether those spreads appear excessive and to recommend action to remedy the situation if you find the spreads excessive.

Within the subject matter of your inquiry are some of the most vexatious questions before our farmers in recent years. Prices received by farmers are declining and with them farm incomes have declined but farm costs and the retail prices of farm products sold to urban consumers have shown no corresponding drop. In theory a reduction in price will stimulate sales of the product and may therefore be a favourable feature in the overall operation of an industry. But in the production of food products in Canada that theory has not worked in practice and there is no indication that it will work in the near future.

Farmers have been forced to accept a lower price for the food items which they produce but consumers are dissatisfied -- one group because prices received by them are down -- the other group because prices paid by them are up.

The Index numbers currently issued by the Bureau of Statistics are expressed with the base of 100 being equal to the average level in 1949. By the end of 1953, the index of Prices Received by Farmers was down to 84.6 per cent of 1949 while





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 847 -

C.C.Dixon

the index of Retail Prices of Farm Products was up to 112.1 per cent.

Index Number of Prices 1949 Equals 100 per cent

Year	Farm Prices of Agricultural Products	Retail Prices of Farm Products
1953		
Dec.	84.6	112.1
1954		
March	87.9	110.7
June	88.9	112.0
Sept.	86.3	113.08
Dec.	82.7	112.6
1955		
March	83.6	110.7
June	86.0	111.0
Sept.	83.0	113.7
Dec.	81.6	112.4
1956		
March	81.3	109.1
June	83.1	112.5
Sept.	82.2	115.5
Dec.	78.3	117.5
1957		
Mar.	79.5	116.4
June	81.2	117.7
Sept.	81.2	121.9
Dec.		118.8

The trend can be seen from the figures and it is even more apparent when the figures are put into chart form.

If this trend continues the result is disaster for both farmers and consumers.

These index numbers are, of course, only a reflection of the general pattern; they do not tell the story for individual commodities; they





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 848 -

C.C.Dixon

demonstrate conclusively that spreads are widening but they do not show whether the spreads are proper or excessive, neither do they show which commodities have contributed most to their development. Nevertheless a rise of 6 per cent in retail prices in 4 years when farm prices declined 3 per cent is a most disquieting phenomenon.

Beef: From the point of view of Manitoba farmers, the price for live cattle and for beef are one of the most important factors in this situation. Because of the complication in the retail price structure due to the variety of cuts and because of the relatively heavy tonnages of waste products in the slaughtering process, calculations of margins on beef are highly involved.

But the direction of change is clear even if the actual margins cannot be calculated with complete precision.

The record of live cattle prices as compared to retail prices for beef is as follows when expressed in index number on the base of 1949 equals 100.

There are tabulations there. One column stockyard price live and retail price.



Index Numbers of Price of Beef at Winnipeg

1949 = 100

	<u>Stockyard Price Live</u>	<u>Retail Price</u>
1949 Average	100.00	100.0
1950 Average	126.6	127.9
1951 Average	165.4	158.4
1952 Average	117.5	139.1
1953 Average	89.0	113.3
1954		
March	79.0	104.9
June	91.8	104.5
September	86.7	108.6
December	81.2	103.8
1955		
March	91.8	106.3
June	94.2	107.6
September	85.8	110.5
December	87.0	109.7
1956		
March	82.5	108.1
June	101.0	104.6
September	93.7	113.0
December	83.1	109.8
1957		
March	89.9	107.4
June	98.0	115.3
September	84.7	123.5
December	88.5	120.4
1958		
January	99.5	125.2

ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO





A word of explanation as to the source and method of calculation of these figures may be in order. They are calculated from information tabulated by Professor Arthur W. Wood of the Department of Agricultural Economics of the University of Manitoba. For his record of the Stockyard Live Price, he has averaged the price of good steers and good heifers as reported in the Livestock Marketing Reports of the Federal Department of Agriculture. For his record of Retail Prices, he has used the average retail prices as reported by the Dominion Bureau of Statistics in its cost of living index records. These reflect the prevailing prices and qualities of beef sold by a large sample of retailers in Winnipeg. The retail prices for the 6 cuts of beef reported to D.B.S. were combined in accordance with the weight of each in an average carcass.

In both series the peak in 1951 is clearly apparent but in the case of the live price the decline is to a level noticeably below 1949 followed by a recovery to almost the 1949 level. During the whole period the retail price has remained well above 1949 and ends 25 per cent above. In other words, the margin has widened in these years by an amount equal to 25 per cent of the retail price. If the former margin was approximately 30 per cent of the retail price the present margin reflects an increase approximating something like 44 per cent of the retail price.

Unfortunately, these price levels are not





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

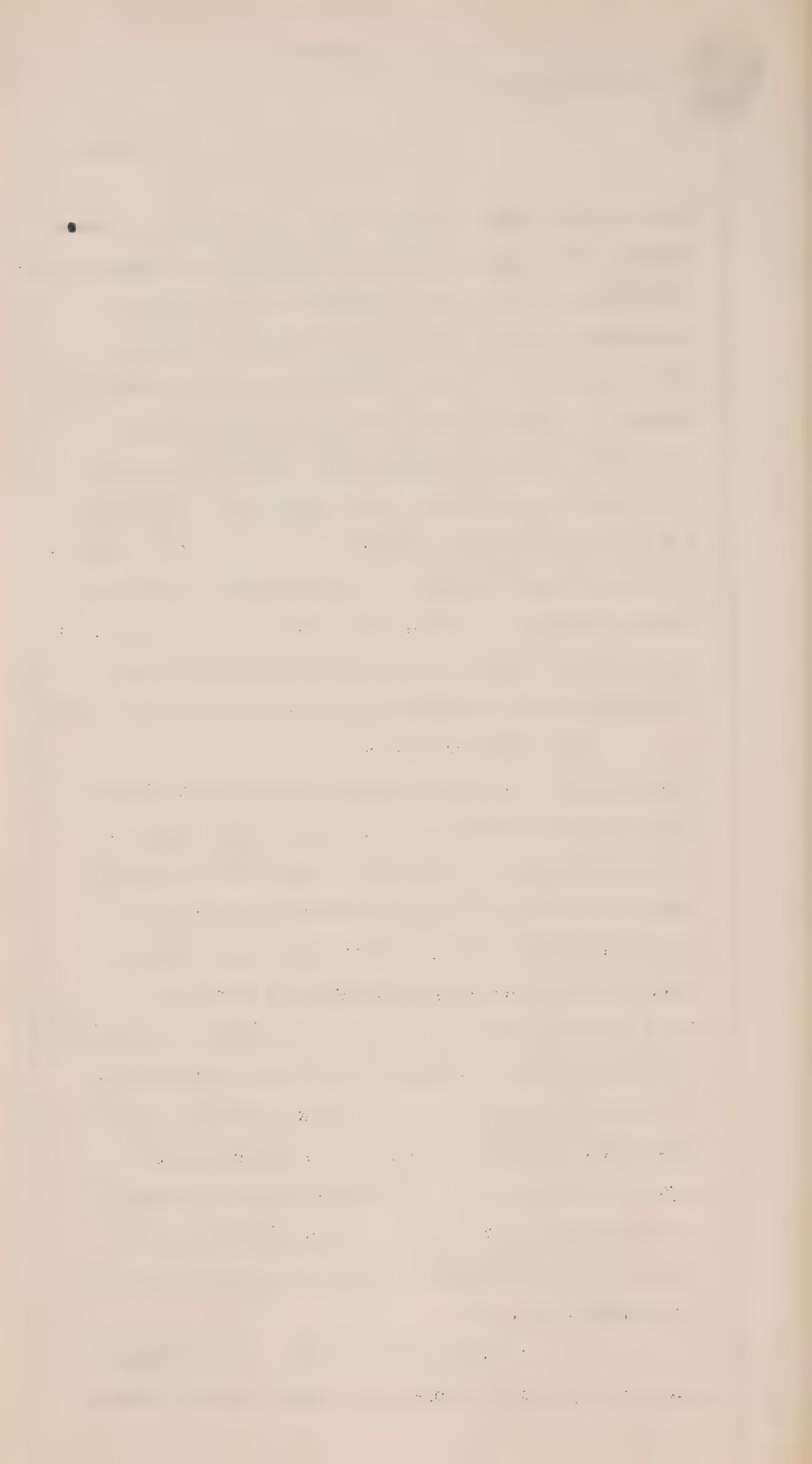
- 851 -

C.C.Dixon

directly comparable to provide a calculation of the margins for the processors and handlers. Furthermore, the live price at the stockyard does not reflect the return to the farmer until there has been a deduction made to cover inbound freight and handling charges. These tend to be quite rigid in the sense that they do not fluctuate with the price of live cattle or beef but there appears to have been a significant increase since 1949 especially in rail or truck freight charges. Consequently, for the average farmer, the net realization on the sale of live cattle makes a story which is even more unfavourable than the decline shown in the above figures.

The spread between the live price and the retail price cannot be compared without an elaborate calculation of weight loss and by-product values. Professor Wood has made those calculations over a number of years and has demonstrated that the spread has indeed widened materially, the change having come especially between 1950 and 1953. But a brief of this type is not an appropriate document to set out the full details of that calculation. All that can be done is to draw attention to the nature and apparent extent of the changes which have been occurring. It is our sincere hope that your Commission will have its staff examine this situation with care and that you will make concrete recommendations on it.

As a further contribution to information available on this subject, we submit the following





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 852 -

C.C.Dixon

record of retail prices collected by a member of our staff on March 19th, 1958. Three stores were selected, one being a branch of Canada Safeway Limited, one being a member of the Tomboy Chain of large independent stores and one being a medium sized privately operated independent store.

The prices as reported were: There follows three column, Safeway's, Tomboy and Independent and nine cuts:

	<u>Safeways</u>	<u>Tomboy</u>	<u>Independent</u>
Porterhouse Steak	97¢	89¢	95¢
T-Bone and Club	89	89	89
Sirloin Steaks	89	89	85
Round Steaks	87	81	81
Rump Roast	79	79	79
Cross Rib Roast	69	59	69
Chuck Roast	39	49	49
Good Hamburger	46	49	53
Stewing Beef	59	49	55

An examination of the above prices reveals that the prices quoted by Safeway are slightly higher on the higher quality cuts and slightly lower on the cheaper cuts. The following table shows the overall result of applying the above prices against weight calculations which represent the approximate yield of each cut from a normal carcass.

There is the table of the Total Realized by Retailer. I will make one comment on the table.

On the total in dollars and cents, the spread between the three stores on this occasion is a fraction over \$9 for the carcass.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 853 -

C.C.Dixon

Total Realized by Retailer

	Lbs.	Yield	Safeway	Tomboy	Independent
Porterhouse, T-Bone & Club Steaks	35		\$32.55	\$31.15	\$32.20
Sirloin Steak	55		48.95	48.95	46.75
Round Steak	50		42.50	40.50	40.50
Rump & Rip Roast	55		43.45	43.45	43.45
Chuck & Cross Rib Roast	105		56.70	56.70	61.95
Hamburger	100		46.00	49.00	53.00
Stewing Beef	50		<u>29.50</u>	<u>24.50</u>	<u>27.50</u>
Total	450		\$299.65	\$294.50	\$305.35

It is clear that no major difference exists between the three price structures. The variation could easily be absorbed in differences in the yield of various cuts or in amounts realized on fat, bones and scrap, which are not included in the above calculation.

These figures make it clear that in March 1958, retailers in Winnipeg were realizing approximately \$300 on sales of retail cuts from an animal with a live weight of about 1,000 pounds. To this must be added the value of hides, tallow, offal and other by-products to calculate the total selling price of the carcass. For purposes of comparison, it is interesting to record that good steers sold at Winnipeg in that week at \$21.27 per hundredweight, or a total of \$212.70 for a 1,000-pound steer.

The producers price delivered at St. Boniface were therefore, approximately 71 per cent of the retail price of the meat on the animal or possibly 60 per cent of the total price of meat and by-products.





Eggs: Another industry which is of major concern in Manitoba is the production of eggs and poultry meat.

Perhaps no feature of this industry has provided so much annoyance to the farmers of Manitoba as the large differential in cents per dozen which frequently appears between the price paid the producers and the price paid by the consumer for a dozen eggs. At March 21st, 1958, the spread was 17 to 18 cents per dozen at Winnipeg. This is a fairly typical situation, in fact we might even say a normal one.

There follows a short table including Grade "A" large eggs, Winnipeg price, March 21st, 1958, showing the various spreads.

Grade "A" Large Eggs, Winnipeg Prices, March 21, 1958

	<u>Price per dozen</u>
Paying Price to Producer	30 cents
Wholesale Price (in cartons)	42 cents
Price to Retailers	43-44 cents
Price to Consumers	46-48 cents

According to the Weekly Poultry Market Review published by the Federal Department of Agriculture, during 1957, the most representative spread in price at Winnipeg was 16-17 cents, although on occasion it was as low as 14 cents and as high as 25 cents.

One factor in this spread is the cost of receiving ungraded eggs at a grading station, grading,





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 855 -

C.C. Dixon

then packing in new cases, fillers, flats, paying overhead and incidental costs. We are informed that this is generally considered to cost about 9-1/2 cents per dozen and is reflected in the spread of usually 10 to 11 cents between the price to producers f.o.b. Winnipeg and the wholesale price.

Should these eggs be required locally, another 2 to 3 cents is required to put them into the hands of a retailer, who in turn will add a further margin up to 8 cents a dozen.

Accumulating these margins of cost and profit produces a spread of approximately 19 to 20 cents a dozen between producer and consumer. Hence we may conclude that whatever the price may be to the producer, the consumer will pay up to 20 cents more providing that costs are the over-riding consideration.

If, however, there is a strongly competitive element operating in the market, this spread tends to be reduced. The buyer of ungraded eggs may decide to pay more, for instance, than 30 cents; the distributor may elect to distribute for 2 cents instead of 3 or 4 cents, and the retailer may decide to advertise eggs as a "special" taking several cents less than his normal mark-up. Or, as is the case in more than one local retail establishment the egg buyer buys direct from the producer and sells direct to the consumer, in effect eliminating the distributor. This is a common practice which, while it helps both producer and consumer, frequently





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

makes things competitively difficult for distributor and small retailer.

If all eggs produced in Manitoba were required to pass through the channels of grading station, distributor and retailer, we could expect that, other factors not interfering, the spread between producer and consumer would be permanently in the nature of 16 to 20 cents a dozen. This, however, is not the case. For one thing, an indeterminate but substantial portion of the eggs produced are farm consumed. Secondly, an indeterminate but substantial portion are sold ungraded directly from producer to consumer. Thirdly, an indeterminate but important portion are sold graded from producer to retailer, and in many instances, from producer to distributor. In fact, if we were to compare production with marketings through commercial channels, it will be seen that nearly 50 per cent of the eggs produced in 1957 went into consumption directly.

(The estimated production - 30,500,000 dozen - marketings - 15,546,930 dozen).

The figure commonly quoted to indicate the quantity of eggs delivered directly by growers to retailer or consumer in the Greater Winnipeg area is 50 per cent of the eggs used. It is only proper to emphasize, however, that this is an estimated figure which cannot be readily supported by records.

Thus, while the spread between producer and consumer egg prices can be expected to be up to 20 cents, to the extent that the producer can circumvent





the so-called normal channels of trade the spread will be substantially less.

Finally, it should be noted that when an inordinately large spread develops, it is commonly the result of a sudden sharp change in the wholesale market. Wholesale prices are very quick to react to market changes, as are paying prices to producers. The retailer, on the other hand, tends to hold his prices up until his stocks are cleared. Hence abnormal spreads temporarily develop to the dismay and chagrin of the producer.

Poultry Meat: Poultry meat includes chicken, fowl and turkeys and in each case the economic factors in marketing involve a series of changes for the product each of which involves costs as well as considerable loss of weight - hence the price paid to the farmer for poultry in its live state is necessarily much lower than the price per pound in ready-to-cook form. Farm poultry is in a real sense raw material which must be converted before it can be finally marketed and the marketing process frequently demands that the product be frozen and stored for indefinite periods of time.

For the purpose of this brief, we are using the turkeys as an example to illustrate the nature of the factors involved.

Price spreads arise in part from shrinkage and wastage even though no costs of any kind are involved. The following example consider 100 pounds of live turkeys at various stages of the marketing





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

process and reflects shrinkage and wastage alone with no provision for handling or other costs.

	<u>Weight</u>	<u>Total Value</u>	<u>Price Per Lb.</u>
Live	100 lbs.	\$ 30.00	30¢
Dressed	88	30.00	34
Ready to cook	75	30.00	40

It is a very small table, but quite interesting in that the value has been kept constant. The weight changes are listed through two of the steps of the processing, and the price per pound is adjusted, taking care of the reduction in weight following processing.

No costs of any kind are involved in this calculation. The 10-cent spread develops entirely as a result of weight loss.

When costs of processing are imposed, even if those costs contain no margin for profit, another 8 or 9 cents must be added to the ready-to-cook value. Hence the producer can expect to see his 30-cent turkeys, live weight, selling at nearly 50 cents wholesale, ready-to-cook. By the time the consumer comes into the picture the price may be 59 cents, or double the live price to the producer. It is true, however, that competition sometimes brings about a narrowing of margins all along the line. A good example of this was provided in December 1956, in Winnipeg.



Dressed Wt. Price to Producer (Less processing costs)	Processors Price in Carlots Ready-To-Cook	Distribution		
		Small Retailers	Local Chain Store Retail Price	
Grade "A" Hen Turkeys    33¢		48¢	51¢	51¢

Here is an instance where competition between chain stores brought the retail price down to a point where there was, in fact, little or no operating margin beyond the wholesale level. In sharp contrast to this situation, the big chain operators in Eastern Canada, in early 1957, were selling the same turkeys that they were asking 51 cents for at Christmas time 1956 for 59 cents. The latter price, incidentally, is the one which comes closest to meeting the gross margin objectives of meat retailers, which is 15 per cent to 20 per cent of sales.

Wide as these spreads appear to be, it is only fair to point out that many thousands of Manitoba grown turkeys and other poultry, do not enter those channels of trade where these price spreads would apply. The largest retailers in Winnipeg, for instance, buy an important part of their requirements directly from the farmer. Hundreds of farmers deliver turkeys every Christmas direct to customers in towns and cities. Here again it might be useful to compare production and marketings through grading stations.

ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO





1957 (Estimated)      Marketed

Turkey Production	16,650,000	11,164,000 Dressed Weight Basis
-------------------	------------	------------------------------------

To the extent that direct marketing from producer to consumer and from producer to retailer is carried on, the spreads worked out do not apply.

Canned vegetables: In the case of canned vegetables the cost of processing, packing and handling is many times as great as the price of the vegetables themselves. The vegetable grower who sells to a cannery receives a price for his product which must cover the cost of his seed and labour as well as the cost of his land and taxes and any balance which remains is the return to the farmer himself. Manitoba has a relatively small number of vegetable canning plants and consequently, the growing of vegetables for canning is not a large industry with our farmers. But in the areas where vegetable growing has developed, it promises to be an important diversifier and a real help in spreading farm income outside the traditional dependence on a few export crops.

One of Manitoba's vegetable canneries, Co-op Prairie Canners Ltd., at Winkler, began operations at June 15th, 1957, and it has made available its records in respect to the canning of the 1957 crop. That record shows:





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 861 -

C.C.Dixon

Cost of Vegetables purchased	\$ 49,032.27
Cost of Cans, Cartons and Labels	82,600.15
Other direct costs	<u>26,304.65</u>
Total	\$157,937.07

It should be emphasized that this covers only the direct cost of the 1957 pack and that it includes nothing for depreciation of equipment, or for financing of the plant, or for sales and delivery costs or for general overhead expenses.

Even these preliminary figures demonstrate several outstanding facts:

1. The cost of cans, cartons and labels is very much greater than the cost of the vegetables in the cans.
2. The total direct costs of processing, packing and labelling are more than twice as great as the cost of the vegetables in the can.
3. Although no precise figures are available for depreciation, financing, selling and overhead costs, it is estimated that the cost of these will be about equal to the direct costs so that the total cost will be close to \$250,000 for a pack for which the vegetables cost less than \$50,000. In other words, the farmers share will be approximately 20 per cent of the cannery selling price.

By the time that jobbing and wholesaling and retailing mark-ups have been added, it is clear that





the gross return to the farmer will be about 15 per cent of the retail price.

Wheat and Bread: Western Canada's great primary product has always been wheat and the spread between wheat at about 2.5 cents per pound at the farm and bread at 16 or 17 cents per pound, in the retail store has always been a major concern. It is agreed that substantial costs are involved in handling and cleaning the grain, milling and delivering the flour, and baking, slicing, wrapping and delivering the bread.

The share which the farmer got from a loaf of bread has always been small but it has shrunk to even smaller proportions in recent years. If we accept No. 3 wheat at a point taking a 14-cent per bushel freight rate and handling charges as being typical of Manitoba the price received by the farmer has declined substantially since 1949 and again a decline in the farm price has been accompanied by a distinct rise in the retail price.

In 1949 bread was selling in Winnipeg at 10 cents per one pound loaf and the 1949 wheat crop on the basis outlined above returned to the farmer \$1.64 per bushel or 2.74 cents per pound. The present price of bread in Winnipeg is 17 cents per one pound loaf and on the same basis the return to the farmer on the last completed crop, was \$1.358 per bushel or 2.26 cents per pound. Bread has increased by 7 cents per pound or 70 per cent



while wheat is down almost 1/2-cent per pound or 17 per cent.

The following is a record of the steps by which these changes came about:

WHEAT PRICE TO FARMER

Crop year begin- ning August 31	No. 3 basis 14¢ per bushel freight & handling	\$ per bushel	<u>1949 = 100</u>
1949		1.643	100.0
1950		1.653	100.6
1951		1.653	100.6
1952		1.623	98.8
1953		1.353	82.3
<u>1954</u>		1.422	86.5
1955		1.358	82.6

Winnipeg  
PRICE OF BREAD AT RETAIL

	<u>Cents per lb. loaf</u>	<u>Yearly Average</u> <u>Cents per lb. loaf</u>	<u>1949=100</u>
1949 Jan.	10	10.75	100.0
April	11		
1950 Feb.	12	12.25	114.0
Sept.	13		
1951 July	14	13.50	125.6
1952		14.00	130.2
1953 July	15	14.50	134.9
<u>1954</u>		15.00	135.5
1955 Mar.	16	15.83	147.3
1956		16.00	148.8
1957 Mar.	17	16.83	156.6
1958		17.00	158.1

ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

There are two tables, sir: The Wheat price to the farmer, being the price per bushel from 1949 to 1955, with the index figure of 100 in 1949, and the price of bread at retail in Winnipeg, and three columns, cents per pound loaf, cents per pound loaf, and the index figure once again in 1949 of 100.

For most of the products with which this brief is concerned, it has been thought best to limit attention to a direct comparison of prices to farmers and prices paid by consumers. The increase in the total margin has been illustrated without any attempt to separate the various intervening processes. In the case of bread, however, the Dominion Bureau of Statistics provides a record of the average selling price of bread "at the factory". This price has risen noticeably during the period under review but the rise has been noticeably less than the rise in the retail price of bread. The comparisons are as follows:

(Page 865 follows)



Price of Wheat and Bread Per Pound

	Wheat Farm Price	Bread Average Selling Price at the factory.	Bread Retail Selling Price
1949	2.74 cents	9.1 cents	10.75 cents
1950	2.75	10.4	12.25
1951	2.75	11.4	13.50
1952	2.71	11.5	14.00
1953	2.26	11.9	14.50
1954	2.37	12.3	15.00
1955	2.26	12.3	15.83

That doesn't mention in the headings of the columns, but the wheat once again is based on No. 3, farm price at average country points in Manitoba at 14 cents per bushel freight and handling charges, and the two bread columns are bread in Winnipeg.

It is clear that the main change has been in the margin between the factory price and the retail price although there has also been some increase in the margin at the earlier stages of handling.

Conclusions: The analysis presented above is sufficient to establish that the margins between farm prices and retail prices have been widening in recent years. It has also established that a substantial part of this widening of margins has occurred by a process of increasing retail prices, at the very time when prices to farmers are declining.

This is a situation which has led to much

ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO





misperception and on occasion to unjustified conflict of opinion between farmers and urban consumers. Many urban housewives oppose all efforts to protect farm incomes by raising farm prices because they fear that the result will be higher retail prices for foods. The situation is, however, far from one of direct conflict of interest. Retail food prices have risen and are rising without any share of the extra cost finding its way to the farmer. If something could be done to control distributing margins it would be possible to raise farm prices materially with little or no effect on retail costs.

Even, however, if distributing margins have permanently widened and nothing can be done to return to the position of a few years ago, still it does not follow that any increase in farm prices will mean a corresponding increase in retail prices. The farm price is such a small part of the total in many products that a substantial increase in the return to farmers would have but little reaction at retail.

In the case of wheat and bread for example, to double the farm price would only add 2.5 cents per pound to the cost of bread which sells at 17 or more cents per pound. An increase of 100 per cent to the farmer is only 15 per cent at retail.

In the case of eggs, the price to the farmer could go from 25 cents to 40 cents, an increase of 60 per cent but the corresponding increase at retail would be only about 30 per cent.





Stated in reverse the above figures show that an increase of 15 per cent on bread if passed back entirely to wheat would mean a 100 per cent increase in the farmer's income and an increase of 30 per cent in eggs at retail would mean 60 per cent on the farm price. If farm incomes are calculated as net rather than gross, the percentage changes are even more dramatic.

These facts are merely elementary arithmetic and yet they are often forgotten in public discussions of farm incomes and urban food prices.

The analysis has also attempted to examine some - but not all - of the reasons for the margins and for the increases in them. But the issue which is before your Commission is to decide whether the margins "are fair and reasonable". The Manitoba Federation of Agriculture is not in a position to judge this point. It would involve careful analysis of the cost of the various services provided by distributors and also a study of the extent to which such services are necessary. It would also involve a study of such merchandising techniques as pre-packaging of meats, elaborate display advertising, give-away-coupons and the like to see the extent, if any, to which these have increased sales or to see if these are used mainly as a device to hold customers without price reductions. On the other hand, study would obviously be necessary to attempt to determine whether these techniques have been adopted in response





to consumer demand with the result that the housewife is demanding and paying for "food plus appearance and convenience". It may be found that there is a definite consumer preference in favour of this and that the housewife is willing and able to pay the extra costs in preference to plain undecorated food values.

As mentioned above, the Federation is in no position to offer answers to these points. On the other hand, we do feel that the issues should be raised for your further investigation.

On one related point, however, the Federation can express strong views. If any commodity or group of commodities is yielding a margin substantially in excess of cost then one very effective control is the introduction of co-operative marketing. Under co-operative operation, the excess of the margin above costs in such a situation is allocated directly to either consumers or producers. It does not find its way into the hands of private shareholders. It is in this field that co-operatives make some of their best contributions to our marketing structure. Buying at prices competitive with private traders and selling also at prices competitive with private traders, the co-operatives keep for their customer-owners any excess margins which exist. Furthermore, they are in a position to eliminate, or at least cut down, any undesirable tendencies to raise distributing





expenses b costly and unnecessary promotions, advertising or packaging.

Indeed it was the high private profits in handling and distributing farm products and supplies which first led to the creation of co-operatives in Manitoba. We have a proud record in this province for reducing these unreasonable margins and capturing the benefits for our co-operative members.

Additional Price Information: The final paragraph in your Terms of Reference instructs you to study the adequacy of available price information. Some of the difficulties encountered in preparing this brief prompt us to comment on this aspect of your work.

An examination of the information presented above will reveal that we have had relatively good success in obtaining price records tracing the changes over a number of years in a given commodity or group of commodities. We have been able to establish with some assurance the direction and approximate percentage size of the price changes which have occurred from year to year and over longer periods.

We have, however, had almost no success in obtaining records of the price for the same article at different stages in the distribution process. In part, this is because the article changes in character as various processes are applied to it so that the article sold by the farmer is different from that sold by the wholesaler which is in turn different from the packaged article sold at retail.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 870 -

C.C.Dixon

These changes make any precise price and margin comparisons difficult. In fact, for anyone who does not have elaborate statistical facilities available, such comparisons are impossible for most commodities. It is, therefore, suggested that your Commission might recommend that the Dominion Bureau of Statistics should from time to time prepare and present comparisons of this type tracing the same product through the various stages of processing and distribution and recording the amount by which the price or the value is increased at each stage.

It is not our suggestion that such studies should be done continuously, month by month, as in the case of simple price records. Neither is it our suggestion that such studies should attempt to determine whether the margins are adequate or inadequate or excessive. That is a problem for an occasional intensive inquiry of the type which you are undertaking. Our suggestion is merely that periodically the Bureau of Statistics should make available factual information on prices for the same article at different levels of processing and distribution so that our primary producers and consumers and our various levels of government will know what proportion of the consumer's dollar is paying for packing or distribution costs or for other services which add little or nothing to food value of the product concerned. A good start in





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 871 -

C.C. Dixon

this direction has been made in the series of articles in the Economic Annalist but we would like to see more extensive work of this type.

Thank you.

THE CHAIRMAN: Thank you Mr. Dixon. Your brief has raised a number of matters, and your request to the Commission to give attention to these, and I assure you that they are all in our Terms of Reference, and we will do so. I have in mind the request particularly with regard to information, and we have a few questions we would like to ask you.

COMMISSIONER DRUMMOND: Mr. Dixon, on page 3 at the top the last two sentences: "In theory a reduction in price will stimulate sales of the product and may therefore be a favourable feature in the overall operation of an industry. But in the production of food products in Canada, that theory has not worked in practice, and there is no indication that it will work in the near future."

That to me seems to be an extremely significant statement, so much so that I feel like asking you if you would like to expand it slightly out of your knowledge?

MR. DIXON: I would be glad to turn the thing over to Mr. Moffat.

MR. MOFFAT: Mr. Drummond, what we had in mind there is this, that in theory and in practice in the past whenever the price of a product went down, you had an expanding market. You had more





of the product being sold both in Canada and for export, and the return to the farmer can be larger than it was in the higher prices, but when you have this situation here, the farm price goes down, but at the same time the retail price goes up as it has been doing for so many food products lately, you do not get that fact at all. All that happens is the farmer's price is down, he has no expanding sales. It is a net loss in income, and this seems to be showing up quite sharply in a lot of things.

As a matter of fact, personally I was very amazed when we got this through to find out how wide spread it was. Definitely there were quite a few of them. When we got into this, we found the reduction in farm prices is not reflected through the retail and not reflected in expanded sales on the market.

COMMISSIONER DRUMMOND: On page 4, another very significant statement I think is here. You say: "If this trend continues the result is disaster for both farmers and consumers." I take it that you feel that the results thus far have been to a very considerable extent disastrous, and that if continued they would be almost completely so?

MR. MOFFAT: Yes, it is really a repetition of the same point, only in this case it is applying it from the other side, also to the consumer, who ordinarily when they got a higher charge against them thereby stimulating more





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 873 -

C.C. Dixon

production, but with this kind of thing happening, all they are getting is higher prices and they are succeeding both ways, and both sides are getting the worst of it, and nobody gets the benefit.

COMMISSIONER DRUMMOND: It is equivalent to saying that if you have a continuation in this margin widening process, it is going to be a real disaster. Somehow or other we have to find a solution for it.

MR. MOFFAT: That is right.

COMMISSIONER DRUMMOND: In connection with this section on beef, I am going to ask you first of all just what grade of beef it is that is under consideration. Is this the red or blue or commercial?

MR. MOFFAT: It is our commercial figures, the same figures that are in the brief, the Government brief this morning, the only difference is Professor Wood and I between us brought them up to date on the estimated basis for this. In the other case we gave them for 1956.

COMMISSIONER DRUMMOND: You mention there on page 7 near the bottom:

"... the spread has indeed widened materially, the change having come especially between 1950 and 1953."

There was nothing you discovered, was there in connection with the examination of that, that would tend to account for such widening at that time?

MR. MOFFAT: Well again it is a point





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 374 -

C.C. Dixon

that I discussed quite thoroughly with Professor Wood, and it is a point that was discussed briefly this morning on the Government brief. The one thing that strikes me as fairly significant was this rise in price up to 1951, the consumer got into the habit of paying a pretty high price for beef, and then when the market was down to the farmer and the packers level, the retail price did not come down to the same extent. That was probably the retailer taking advantage of the habits that the consumer had got into.

At the same time, here in Winnipeg particularly we had to switch over to pre-packaging of our meat. Now some people asked that is not adding to the cost, but the two things coincided, and there doesn't seem to be any question that there is a fairly sharp break in the margin up to about 1951, and then starting in again at 1953. It sort of was level in that two-year period. There is a widening of the margin that is in terms of cent per pound, but when you come in terms of the per cent of the retail price it is not quite so distinct because a fairly small margin, but the actual widening per cent was fairly significant right after the drop in 1951.

COMMISSIONER DRUMMOND: The absolute and the relative, two different things. Since the period 1953, we have had a great deal of, shall we say, public controversy in regard to the widening





of spreads generally, and I just wondered if there was any special reason?

MR. MOFFAT: As a matter of fact, if I can refer you just briefly to the table that was in the Government brief, shows as the percentage of price, there was a dotted price on those charges for each year, and quite a number of those dots are above the average line. You will find if you identify the years that those are the recent years that come up above, if you trace it year by year that is in each case you will find it is the recent years that show up the dots above the average line. We did not use a chart in our brief, it was already in the other brief.

COMMISSIONER DRUMMOND: Purely as a matter of information for our Commission, I don't know whether the others are familiar with the Tomboy agency, but I personally am not. Will you tell us how extensive it is and how old it is?

MR. MOFFAT: It is a fairly new development in this area. It is a group of the largest retail stores working together on a joint buying arrangement. I am not sure of the details. I don't think it is technically a co-operative, but it is a joint buying of some kind of an arrangement amongst themselves, a joint sort of supply and a certain amount of exchange of ideas on management, and so on. It is a very large and well operated thing.

COMMISSIONER DRUMMOND: Comparable to





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 876 -

C.C.Dixon

the I.G.A. in Eastern Canada?

MR. MOFFAT: Yes. The experts back here say yes.

COMMISSIONER DRUMMOND: In respect of eggs, I notice you place very special emphasis on the width of the margin here, and also that you point out that the very significant fraction of the total production of eggs is marketed either directly to the consumer or to the retailer. In respect of this latter point, would you say that the trend towards what you might call direct marketing is increasing or expanding?

MR. MONKHOUSE: Mr. Drummond yes, I would say that it is increasing right from the farmer to say the chain stores. Not particularly to the individual consumer, but to the chains, and bypassing some of the ordinary or accepted handling procedures.

COMMISSIONER DRUMMOND: I wonder Mr. Monkhouse could you give us a very brief picture of the nature of the egg production. I mean the number of producers and the scale of operation, and whether or not they have become specialized, commercialized in a large scale or otherwise?

MR. MONKHOUSE: Just briefly I would say in the province of Manitoba up until this last year we had a great majority of all farmers producing eggs in a variety of farms; I would say in the ordinary sense, in comparison with today, in quite small amounts, a hundred-hen farm to 200. In the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 877 -

C.C. Dixon

last couple of years we have got a definite, a sharp increase towards the commercial type of producer, where he has now on the farm a 1,000, up to 5,000 hens, but in particular in connection with these figures which we have used they have been prior to this rapid expansion here in Manitoba, following very sharply the procedure say in Ontario.

COMMISSIONER DRUMMOND: Would it be correct to say that it is primarily eggs from these larger commercial producers which are marketed in that fashion?

MR. MONKHOUSE: Yes.

COMMISSIONER DRUMMOND: And this wide margin that you stress here applies more particularly to the still larger number of relatively small producers?

MR. MONKHOUSE: That is right. Mr. Drummond, you raised a point and I wanted to make myself clear -- it will not take a lot of time, but it is an indication of the cost of eggs demanded by the housewife, the packaging and so on is a very expensive thing. That is the other point.

COMMISSIONER DRUMMOND: You mention on page 11: "If, however, there is a strong competitive element operating in the market, this spread tends to be reduced." Does this strongly competitive element appear very often or is it rarely operative?

MR. MONKHOUSE: I would say it is infrequent, but on occasion we have had in this area -- we do not





have sufficient to meet the market. We are a surplus producing province, as you probably all know. I would say it is infrequent.

COMMISSIONER DRUMMOND: The reason I am asking you that is, first you stress the wide margin of eggs, and then you suggest that on occasion that margin indicates you have this competitive element. It leave me to wonder whether the main reason for this wide margin is the lack of competition. What is your view on that?

MR. MONKHOUSE. No, I don't think it is lack of competition. I believe it is basically -- one is the machinery in which it is produced where at certain stages of process from the farmer to the consumer the logical step that takes place in packaging and changing it and the wholesalers' part of it and then the retailer's mark-up. That is the reason. It is not lack of competition to the extent which you might indicate.

COMMISSIONER DRUMMOND: You mentioned in the middle of page 12: "Thus, while the spread between producer and consumer egg prices can be expected to be up to 20 cents, to the extent that the producer can circumvent the so-called normal channels of trade, the spread will be substantially less. Would you care to hazard a guess on how much that might be?

MR. MONKHOUSE: I would say 5 cents there. I should mention here, Mr. Chairman and Mr. Drummond, one of the things that makes high





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 879 -

C.C. Dixon

prices is the high standard of Government regulations as applied to eggs that might be exported out of the province. It is the standard we have to set up on all eggs because of the possibility of them going out of the province -- To the extent that the producer can sell to chain stores and so on, and circumvent some of the high standards that is necessary in packaging then there is --

COMMISSIONER DRUMMOND: With regard to canned vegetables -- here again, as a matter of fact, this is just for information I would like, you say that Manitoba has a relatively small number of vegetable canning plants. How many would you say?

MR. MOFFAT: I do not see anybody here who can give you an answer on that. My impression is that it is two or three.

COMMISSIONER DRUMMOND: I see.

MR. MOFFAT: But I do not see anybody here who can give us a definite answer. Certainly not more than two or three.

COMMISSIONER DRUMMOND: This is a comparatively new development?

MR. MOFFAT: Yes.

COMMISSIONER DRUMMOND: How extensive are the areas?

MR. MOFFAT: It is a fairly small area in the southern part of the province immediately adjacent to the American border, just west of the Red River.





COMMISSIONER DRUMMOND: On page 16 you indicate at the top the cost of cans, cartons and labels and you also show other direct cost. I was wondering what "other" would include there.

MR. MOFFAT: I have the full balance sheet here, and the profit and loss statement on a temporary basis. It includes such things as salt and other ingredients of that sort, and the label in the actual canning process, a little bit of insurance, a little bit of trucking.

COMMISSIONER DRUMMOND: In your conclusion on page 22, you say: "One very effective control is the introduction of co-operative marketing." At the very beginning of your brief you indicate that co-operative action is the major function of the Federation itself. Now, you stated at the bottom of page 21 also that co-operatives are in a position to eliminate or at least cut down any undesirable tendencies in the rates and expenses. Now I am wondering there whether you feel there is room for still further co-operative action and if it might result in still further reducing these margins.

MR. DIXON: I do not think there is any doubt that there is a lot of room for further improvement, Mr. Drummond. I think an extension of the present action in the co-operative field would encourage these reductions that we mention in this paragraph.

MR. MOFFAT: There is another fairly important point, and that is that even if co-operatives





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

are able to go in and they can organize people, they can become fairly effective because they can take action.

COMMISSIONER DRUMMOND: In making this statement here about the value or potential value of co-operatives, you are not thinking of anything but voluntary co-operative action, were you?

MR. DIXON: No, not in this.

COMMISSIONER DRUMMOND: I think that is all.

THE CHAIRMAN: I would like to come back to this question on page 3, and I would like to tie it in to this question before and after 1951.

The general view of it, as far as we have been able to study the general price data, is that the period about 1947 through to 1949, and up to 1951 prices at the primary wholesale and retail level increased at about the same percentage. All went up together during that period. This included the Korean War, and then there was a break in prices in 1951, and following that what seems to be the more long relationship has developed. That is the primary price going down relatively more rapidly than the wholesale or wholesale retail. This is historically something that happens, as you know.

After 1952 or 1953, however farm prices continued to go down, but your wholesale prices and retail prices stabilized, and so the margin got larger at that point and then subsequently you have had the phenomena of a more standard general primary





price, but a good price at the retail level. So we have had a number of different relationships between the prices. These are just generalizations. They do not necessarily apply to any particular product, but we can only speculate what would happen if the consumer income began to decline because this period has been one of rising consumer income.

I wonder if you would distinguish between the period in which consumers' incomes were rising and the period in which consumers' incomes are falling, whether it would be possible to maintain this process of expanding margin in periods of declining consumers' income.

MR. MOFFAT: There wasn't any discussion on that point actually in preparation of the brief. "In the near future" is specified as a fairly short period. I don't know what the situation would be if we had a declining income situation, which we hope we are not going to have. I haven't really put my mind to it.

THE CHAIRMAN: I will just refer to this analysis on pages 8 and 9, and express our appreciation to the Federation for having made this little study on consumer prices in the stores. We are very shocked at this kind of information, however. In here somewhere you refer, page 5, to the heavy tonnages of waste products in the slaughtering process. Now, on page 9 you rather dodge the issue, I think, on just how much tonnage





of waste there is here, and what it is worth until you come to the last paragraph, and then by implication, you tell us what you think the answer is. This paragraph reads: "The producers' price delivered at St. Boniface were therefore approximately 71 per cent of the retail price of the meat on the animal or possibly 60 per cent of the total price of meat and by-products." If my arithmetic is worth anything, which is doubtful, this implies that you put in a value of \$54 or so for the offal.

MR. MOFFAT: Just over \$50.

THE CHAIRMAN: Is there any basis for this figure?

MR. MOFFAT: Well, the only thing that I can refer you to is some of the publications of the Industrial Development Council of Canadian Meat Packers, and Mr. Baker was good enough to help us with this. There was no firm calculation of a figure other than possibly \$50 as approximately an average. I could give you a reference to a particular page here where there is a discussion on the subject which may be of some use to you in the Collective Letters of the Industrial Development Council of the Canadian Meat Packers for April and May, 1952.

THE CHAIRMAN: Thank you very much. There is another factor in this calculation which you have stressed a good deal more in the case of





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 884 -

C.C. Dixon

your poultry meat. This beef illustration, what would be the dressed weight of a thousand-pound steer?

MR. MOFFAT: We use the figure of 450 pounds of salable retail meat out of a 1,000-pound steer, and the source we took that from is this little book here, which was put out by the Manitoba Livestock Producers' Association. There is also a very similar calculation in another one of the letters of the Meat Packers' Council. The figures are very close; in one case it is 450 pounds of salable retail meat, and in the other case it is 540 pounds, including the fat and the bones which are not salable on retail.

THE CHAIRMAN: The two prices we have got here are around \$300 for the edible beef.

MR. MOFFAT: Yes.

THE CHAIRMAN: That is actually about 450 pounds or 540 pounds?

MR. MOFFAT: About 450 pounds.

THE CHAIRMAN: If you add the \$54 for the by-products, you could almost say that for this \$212.70 he was receiving 450 pounds.

MR. MOFFAT: Well, no, he is receiving \$212 for the 450 pounds plus any values there were in the by-product.

THE CHAIRMAN: Then you relate that to the price of 300?

MR. MOFFAT: Yes, approximately.





THE CHAIRMAN: We appreciate also having this analysis of the operations of the Winkler Co-operative Prairie Canners. I presume if we wanted this broken down in more detail, we might be able to get that from the organization?

MR. MOFFAT: Yes. They have authorized us to release this document here. Now, this document only brings their operation up to the end of the factory season, it is not the whole year, so they would have to add to this their year costs including depreciation of plant and things like that. But we are authorized to offer you this information.

THE CHAIRMAN: I think this is a very interesting illustration, because it is a product in which the proportion of the final price is quite low; the official figure is around 14 per cent, your illustration is 15 per cent. It is very close, but it does indicate that a very large part of that goes into the price of containers.

MR. MOFFAT: That container price is only the containers or the cans used during the packing seasons. It does not include the label, so there is your label to be put on before it was actually ready.

THE CHAIRMAN: I feel quite distressed my old friend Don. Richmond has not got into this so far. I have been stretching my imagination to find some question I can pose at him. I even apologize for the one I found.

On page 17, in the case cited here, the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 886 -

C.C. Dixon

reference is to one-pound loaf. Is this a typical sized loaf in Winnipeg? I asked the question because in another place when this matter was under discussion, the illustration was worked out in terms of 20-ounce loaf, but in Winnipeg is the loaf normally a pound?

MR. MOFFAT: Yes.

THE CHAIRMAN: You concur in that answer, do you Mr. Richmond?

MR. RICHMOND: Definitely, sir.

MR. DIXON: I would concur in it myself. I thought it was a question for Mr. Richmond.

THE CHAIRMAN: I think that exhausts our questions, so we would like to thank you and the members of your organization Mr. Dixon for this helpful effort. We will have a short recess now before we hear the Manitoba Farmers Union.

--- Recess.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 887 -

MANITOBA FARMERS UNION

THE CHAIRMAN: Come to order, please.

Before we hear the brief from the Manitoba Farmers Union, Mr. Moffat would like to amplify one of the questions that was put to him.

MR. MOFFAT: When you inquired as to the by-product values, I find that I gave you a figure that was a bit too high.

In preparing the brief, we put in a rough figure for the purpose of calculating a percentage, and didn't intend to use the actual figure, but upon checking it up, we find that it is somewhere closer to \$20 rather than to \$50 for the by-product value. It will make no real difference on the percentage figure, but it certainly makes a difference on the by-product value. I thought it might be better to have it on the record that way. It may be a shade under \$20, somewhere closer to \$20 than \$50.

THE CHAIRMAN: Thank you Mr. Moffat.

Now the brief of the Manitoba Farmers Union will be presented by Mr. Patterson, I believe.

Mr. Patterson, before you read your brief, will you just tell us your relation to the organization?

MR. PATTERSON: Mr. Chairman, ladies and gentlemen, I am the President of the Manitoba Farmers Union, and I am also Chairman of the Interprovincial





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 888 -

Farm Union Council.

THE CHAIRMAN: And you have with you?

MR. PATTERSON: Mr. Galonsky, our secretary, our provincial secretary.

THE CHAIRMAN: Would you read your brief?

MR. PATTERSON: Thank you sir. I might say, Mr. Chairman, ladies and gentlemen, that this submission deals particularly with agricultural matters, and we make no attempt to deal with the problems with respect to fishermen in Manitoba, but in view of the fact that many of our members are also fishermen, I would indicate at the outset our support of the brief that was presented this morning on behalf of the Fishermen of Manitoba.

Manitoba Farmers Union submission to the Royal Commission Price Spreads of Food Products -- I might say here again that we have taken notice of your initial suggestion that our briefs deal rather more in general terms rather than going into deep technical matters, and if there is any further evidence that you would request with respect to any matters that are raised here, we would be prepared to go into it in more detail and supply you with the information.

May we express appreciation for the opportunity of placing before you our views as they apply on those matters under study by this Commission.

The Manitoba Farmers Union was organized as a provincial organization in 1951 and was incorporated under a special Act of the Manitoba Legislature





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 889 -

Mr. Patterson

in 1953. Our organization is based on farm family representation and is operated under a direct dues-paying membership organized in 400 locals throughout the province, and is affiliated with the Farm Unions of the four Western provinces and Ontario, through the Interprovincial Farm Union Council.

Since our organization has for several years requested that a Commission be established to enquire into the spread in prices between the producer and the consumer, we appreciate that the Conservative Government has seen fit to appoint this Commission. We realize that it will be necessary for this Commission to carry out exhaustive studies of the marketing, processing, merchandizing and retail fields in order to obtain the necessary information, and it might be desirable to look into machinery employed in these processes by other countries.

Our membership have found it increasingly difficult to understand why it should cost more to distribute an agricultural product than it does to produce it.

Statistical Information: Considerable concern has been expressed from time to time over the lack of readily available statistical data on agricultural matters. This has been even more evident in the preparation of this submission, because of the fact that this data is not being compiled by the Department of Agriculture in Ottawa. We would specifically request that this





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 890 -

Mr. Patterson

Commission make the necessary recommendations to the Government of Canada to provide detailed statistical information similar to that available through the U.S. Department of Agriculture. For examples, we would refer you to the Farm-Retail Spreads for Food Products, Miscellaneous Publication No. 741 (dated November 1957) and the many other individual cost studies that are constantly being made available to the general public in the United States. These publications give a very comprehensive farm coverage and we believe similar publications should be available in Canada.

Agricultural Conditions: From an economic standpoint the agricultural industry in Canada has not matched the advance chalked up by other groups in our economy during the past few years. The problems within the agricultural industry became obvious with the lifting of price controls in 1946 - became more evident in 1952 - and reached serious proportions in 1954.

Inefficiency in agriculture is quite often suggested as the source of all the farmers' problems. We would agree that only on a basis of full production can any given plant operate with the maximum of efficiency. We do maintain, however, that in the business of feeding the nation, the contribution of the producer to the maintenance of low food prices in the face of rising costs is significant.

The following tables give an indication of the extent to which farmers have absorbed rising





costs: I assume it is not necessary for me to read these figures there, Mr. Chairman.

TABLE I - PRICES

Index Number of Farm Prices on Agricultural Products

1935-39 - 100

	1951	1953	1954	1955	1956	1957
Canada	296.8	250.4	236.8	232.7	231.4	226.2
Manitoba	301.6	245.3	227.5	225.6	221.6	209.7

(Source: D.B.S. Index Numbers of Farm Prices of Agricultural Commodities).

This is followed by the prices of commodities and services used by farmers in Canada. The first one, I might say is Canada and Manitoba. It shows the reduction in the prices of agricultural products from 1951 of 296.8 down to 222.6 in 1957. In Manitoba from 301.6 in 1951 down to 209.7 in 1957.

TABLE II - COSTS

Prices of Commodities and Services Used by Farmers

	1951	1953	1954	1955	1956	1957
Canada	230.0	234.8	237.2	238.3	247.6	257.6

(Source: Economic Annalist, December 1957).

Percentage-wise, the above tables show an even more pronounced result of the over-all situation: The Manitoba Index on Farm Prices has dropped by 91.9 points, or slightly over 32 per cent, as between 1951 and 1957. At the same time the costs of commodities





and services that the farmer must buy has increased from 230.0 in 1951 to 257.6 in 1957, an increase of 27.6 points or 12 per cent.

This indicates an over-all spread between the two indexes of 44 per cent since 1951. We are quite satisfied that the members of this Commission will agree that no other business concern could possibly absorb this violent price distortion.

Farm Contribution: To give an indication of what this means in terms of dollars we refer to the period of 1943-44, when the initial price on No. 1 Northern Wheat, basis Lakehead, was \$1.25 per bushel and remained there until the 1945-46 crop year. During this period the world price of wheat was considerably higher.

In 1949-50 the initial price was \$1.75 per bushel (this, of course, the Lakehead price, basis No. 1 Northern). The full price received by farmers in 1950-51 crop year was \$1.858 per bushel, as reported by the Canadian Wheat Board, yet the Manitoba Department of Agriculture in its annual Crop Bulletin shows that the average price received that crop year was only \$1.61 per bushel. Freight and handling costs account for the difference.

The total realized price on the 1955-56 crop is down to \$1.609, a drop of 25 cents per bushel from 1951. The Cost of Production Index has increased from 230.0 in 1951 to 247.6 in 1956, and 257.6 in 1957. On the basis of costs and price increases, the Canadian wheat price should not





have been reduced by 25 cents but should have been increased in 1956 by the 7.6 per cent increase in cost of production, or to \$1.99 per bushel. The 1957 price should follow the same trend, and return \$2.07 per bushel to the producer.

Normally about 50,000,000 bushels of wheat are used each year for Canadian consumption. On the basis of these figures it would mean that in 1956 the farmers of Western Canada subsidized the Canadian public to the amount of \$19,000,000.

This is only one example of the extent to which farm people have been penalized for their inability to effectively control prices and production.

The following table will give some indication of the financial insecurity of the farmers' investment: It shows the gross income, operating expenses, net income and total debt and percentage returns per dollar of capital investment which reveals a rather gruesome story. The source there is from the Government of Manitoba Submission to the Royal Commission on Economic Prospects, November 14th, 1955.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 894 -

TABLE III

Gross and Net Income, Operating Expenses, Total Debt and Percentage Returns to Capital for farms in Manitoba

Year	Gross Income	Operating Expenses	Net Income	Total Debt	Returns per Dollar of Capital Invested
Millions of Dollars					
1939	77.1	42.9	34.2	61.2	.00
1940	84.7	44.5	40.2	58.6	.01
1941	98.9	49.2	49.7	52.3	.04
1942	156.4	57.4	99.0	50.9	.16
1943	161.3	62.7	98.6	49.6	.14
1944	178.0	65.9	112.1	42.1	.16
1945	146.6	68.6	78.0	36.8	.08
1946	174.3	78.1	96.2	38.7	.10
1947	206.5	86.9	119.6	40.9	.12
1948	280.5	98.3	182.2	42.2	.18
1949	256.0	103.9	152.1	42.5	.12
1950	242.3	111.9	130.4	45.0	.08
1951	305.4	124.8	181.6	50.6	.11
1952	290.3	133.7	156.6	54.8	.09
1953	246.5	131.3	115.2	58.0	.05
1954	197.7	125.8	71.9	57.3	.001

(Source: Table 2.17 Government of Manitoba Submission to the Royal Commission on Economic Prospects, November 14, 1955).





We regret that figures are not available to bring this schedule up to date, but since the economic conditions in agriculture have deteriorated further since 1954; it is unlikely that any more favourable data could be shown.

The producers' case is very often presented unfairly. Gross farm income is often quoted in statistics, but with present day levels of operating costs, it bears little relation to the net income of the operator. Price increases in food commodities are all too frequently interpreted as higher prices to the consumer, and the consumer has little opportunity to buy on the basis of the grade at which the producer was paid.

There is generally one price at the counter and in many cases the consumer does not know the difference between choice or commercial cuts of meats. The producer in the meantime is subject to about 20 grades in livestock alone, and 14 grades in hogs.

Using as an example the Livestock and Meat Trade Report, week ending March 22, 1958, at Winnipeg - the producer prices on cattle averaged from a low of \$13 per hundredweight to \$22.34 per hundredweight; hogs from a low of \$17 to \$28.50 per hundredweight.

In this same report we find that wholesale dressed meat prices showed only 4 grades for sale to the retailers at prices of 37-1/2 cents to 40 cents per pound for sides and carcasses, while the





prices of pork ranged from 34 to 81 cents per pound.

Farm Costs: In reviewing the points of reference for your Commission we find there is no consideration given to an inquiry into the costs and Prices of those commodities and services which the farmers must buy. We are of the opinion that this aspect should be given full consideration in order to allow for a fair evaluation of the relationship between production and marketing margins.

At this stage, Mr. Chairman, I will ask your permission to present this part of the brief if it is agreeable to you. If not we will pass over it.

THE CHAIRMAN: I think you may proceed with the brief. I would like to say the particular matters which you raise here, are quite clearly outside of our Terms of Reference. However, I think we have been hearing other things that are outside of our Terms of Reference. I do not want to disappoint you.

MR. PATTERSON: We appreciate that, sir. We believe this will in the presentation of our case here, be a very important factor and have a definite bearing on the whole case as we are presenting it to you. Thank you for the privilege.

Our reason for requesting an inquiry into the costs and prices of commodities and services that farmers must use, is because this is an important factor as it applies to the production costs of agricultural products.





Farm implements are the major item of farm costs on the average farm. There is a tendency by some to charge that the prices of farm implements have increased because of labour costs. It is true that these wage costs have increased considerably but we do not think they have increased in the same proportion as the increases in farm equipment prices.

We believe that farm implement companies are pricing themselves out of the market. Figures for individual companies are difficult to obtain since the major companies (such as Massey-Harris and International Harvester) do not publish separate statements on their Canadian operations. The UAW-CIO report states that, from 1946 to 1951, gross sales in the farm implement industry increased from \$155,998,000 to \$346,518,000, or an increase of 122.1 per cent. Profits before taxes increased from \$11,781,000 in 1946 to \$38,121,000 in 1951 - or 223.6 per cent. The ratio of profits to sales in 1951 was 11 per cent.

In 1946 the average worker in the farm implement plants earned \$1,735 in wages and produced \$5,476 worth of goods. In 1951 the average worker earned \$2,947 in wages but produced \$12,150 worth of goods. In other words, for every dollar paid out in wages in 1951, the industry obtained products worth \$4.13, ,and the net value of production was \$1.75.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

The agricultural industry in Canada has been and still is a vast source of supply for the consumption of secondary manufacturing industries of Canada. However, prices that the farmer must pay for these goods will have to be brought to a level that corresponds closer with the prices received by the farmers themselves.

Consumer Position: The following table refutes any argument as to the ability of the consumer to pay a fair price for farm food products. I refer here to the actual wages of the workers in manufacturing, the consumer price index and the consumer food index from 1948 to 1957 inclusive. The source is Price and Prices Index, January, 1958.





TABLE IV

Year	Actual Weekly Wages Manufacturing	Consumer Price Index 1949-100	Consumer Food Index 1949-100
1948	\$ 38.53	97.0	97.5
1949	41.71	100.0	100.0
1950	43.82	102.9	102.6
1951	48.82	113.7	117.0
1952	53.62	116.5	116.8
1953	56.09	115.5	112.6
1954	57.16	116.2	112.2
1955	59.25	116.4	112.1
1956	62.27	118.1	113.4
1957	64.70	118.1	118.6

(Source: Price and Prices Index, January 1958).

Although we have used the weekly wages in manufacturing, other indexes on wage rates follow fairly closely to those mentioned. There are, of course, industries where these wage rates do not apply.

According to the above table, weekly earnings have increased from \$38.53 in 1948 to \$64.70 in 1957. This represents an increase of 67.8 per cent. On the other hand we find that the general consumer price index and the food index have not varied too much, both showing an increase of just over 18 per cent since 1948.

These figures would tend to suggest that the wage earner has consistently benefitted from low food costs, as further substantiated by the following table.



TABLE V

Quantities of Select Food Purchasable  
With One Hour's Industrial Wages,  
1948 - 1956

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Bread 24 oz.	6.8	6.7	6.7	6.8	7.3	7.5	7.5	7.7	7.6
Flour lbs.	15.0	14.1	14.2	15.8	17.4	17.9	18.3	19.5	19.9
Milk qts.	5.1	5.5	5.7	6.0	6.1	6.4	6.7	6.8	7.1
Butter lbs.	1.3	1.5	1.7	1.7	2.0	2.1	2.2	2.2	2.4
Cheese lbs.	1.6	1.7	1.8	1.8	1.9	2.1	2.2	2.2	2.2
Rd. Steak lbs.	1.6	1.5	1.3	1.2	1.4	1.8	2.0	2.0	2.0
Blade Roast lbs.		2.2	2.0	1.8	1.6	2.0	2.6	2.9	3.1
Pork Loins lbs.		1.6	1.5	1.6	1.6	2.0	1.9	1.9	2.1
Bacon lbs.	1.1	1.2	1.3	1.4	1.9	1.6	1.5	1.9	1.9
Tomatoes 28 oz. tin	3.7	4.9	5.9	5.1	4.5	5.6	6.5	5.5	5.5
Eggs doz.	1.5	1.6	1.8	1.6	2.2	2.0	2.5	2.3	2.4
Potatoes 10 lbs.		2.3	2.8	3.1	3.4	1.9	3.5	3.8	3.0

(Source: Economic Annalist, August 1957).

Under Table V quantities of select foods purchasable with one hour's industrial wages, 1948 - 1956 inclusive, I might just draw your attention here to one or two specific points. Under bread in 1956 you will note that there was a drop there of .1, from 7.7 in 1955 to 7.6 in 1956.

Here I would suggest there were two increases in the price of bread in that general period which no doubt accounts for the drop in the volume obtainable by an hour's wages.

The data in Table V infers that the average Canadian consumer has substantially raised his standard of food consumption since 1948 without increasing the proportion of his disposable income which he spends on food. In fact, in 1950 the percentage

ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO





of disposable income the consumer spent on food amounted to 24.0 per cent, while in 1956 it had gone down to 21.6 per cent.

Farm Share of the Consumer Dollar: The farmer's share of the consumer's food dollar has steadily decreased, and more of the food dollar has been directed towards the processors, distributors and retailers. Detailed information is not available on this phase, but from the producer's point of view it has reached a level far greater than is justified.

TABLE VI

The Canadian Farm Food Expenditure Bill - Estimates on the Total Retail Cost, Farm Value, Marketing Margin, and Farmer's Share of Retail Costs,

1949 - 55

	1949	1950	1951	1952	1953	1954	1955
Retail Cost \$million	2,190	2,310	2,651	2,788	2,842	2,945	3,070
Farm Value \$million	1,106	1,153	1,344	1,330	1,333	1,358	1,415
Marketing Margin \$million	1,084	1,157	1,307	1,458	1,509	1,587	1,655
Farmer's Share Per cent	50.5	49.9	50.7	47.7	46.9	46.1	46.1

(Source: Economic Annalist, June 1956).

Recent reports indicate that the producer's share of the consumer dollar has been reduced further, and at present it is stated to be below 45 per cent.

This is the Canadian Farm Food Expenditure Bill -- Estimates on the total retail cost, farm value, marketing margin, and farmer's share of retail costs, 1949-55.





Here the farmer's share has dropped from 50.5 per cent in 1949 down to 46.1 per cent in 1955.

TABLE VII

Indexes of Retail Food Prices, Farm Prices, Marketing Margins and Farm Shares for 14 selected Agricultural Commodities (1949-100)

Year	Index of Retail Food Prices	Index of Farm Prices	Index of Marketing Margins	Index of Farm Share of Con- sumer's Dollar
1949	100.0	100.0	100.0	100.0
1950	101.5	101.0	103.2	98.9
1951	115.6	115.4	113.2	100.4
1952	118.2	108.6	127.1	94.6
1953	113.1	102.3	126.1	92.6
1954	110.3	97.2	126.2	90.9
1955	110.8	97.2	124.5	91.4
1956	112.1	96.8	129.7	88.0

(Source: Economic Annalist, June 1956 and 1957)

The above figures give an over-all picture as to the amount of the consumer dollars received by the producer, while Table VIII gives specific information on selected commodities.

Under Table VIII we have the farm share of the retail cost as a percentage of the retail price of 14 selected commodities, Canada, 1949 to 1956.





TABLE VIII

Farm Share of the Retail Cost as a Percentage  
of the Retail Price, 14 selected Commodities,  
Canada, 1949-56

Commodity	1949	1950	1951	1952	1953	1954	1955	1956
	- percent -							
Wheat flour	49	46	42	39	41	35	38	37
White bread	23	21	18	16	17	14	15	14
Beef (blue brand)	64	67	71	62	57	58	59	57
Pork	62	61	61	55	56	53	50	51
Chicken	56	58	58	56	54	55	58	51
Eggs "A" large	82	78	80	74	77	73	76	74
Fluid Milk	56	55	54	54	54	53	53	52
Creamery Butter	76	75	79	77	77	78	77	77
Cheese, plain process	35	32	35	27	27	28	27	37
Potatoes	48	45	49	61	43	45	41	41
Canned Peaches	26	23	21	22	21	22	21	24
Canned Tomatoes	20	21	18	17	21	22	21	18
Canned Corn	15	15	14	15	18	17	17	17
Canned Peas	17	18	19	19	20	20	21	20

(Source) Economic Annalist, June 1957)

From the above we learn that, on the average the farm share of the retail cost dropped by nearly 10 per cent, while in the same period (1949-1956) the index numbers of farm prices on agricultural products dropped 10.6 per cent, and the cost of production to the farmer increased by 21.3 per cent.

We suggest to you, Mr. Chairman, that this situation is entirely unjustified, and is one that cannot longer be condoned.

We do not suggest that inefficiency in agriculture should be overlooked. Efficiency in food production stands at a relatively high level. Farmers have adapted themselves to all the new techniques in attempting to keep costs at a minimum





but in their efforts to offset increased costs by more efficient operation they have produced beyond the ability of the market to consume in some instances. In other cases prices have been unreasonably depressed by anticipated surpluses, which very often never materialized.

We indicate to this Commission that there is little to justify increased economy measures at the producer level, if those economies do not add up to a cheaper product at the retail level.

Professor A.W. Wood, Department of Agricultural Economics, University of Manitoba, reports that in December 1956, the Manitoba farmer received 47.5 cents of the Winnipeg consumer dollar spent on beef. The other 52.5 cents was divided between marketing agencies as follows: 3.2 cents for transportation and marketing costs; 8.0 cents for processing and wholesaling, and 41.3 cents for retailing.

Over the last five years the average farm and primary marketing shares were 52.1 and 3.1 cents respectively, but for processing and wholesaling the share was 16.7 cents, and for retailing 28.1 cents.

Thus we find that the livestock producer who operated a very costly and technical business in 1956 received less for his product than it cost to process and distribute it.

It is as a direct outcome of these and similar situations and trends that considerable interest has developed in the prospect of producers setting up their own marketing agencies. By this





process they feel that the producer will be in a better position to market his products more efficiently and at the same time maintain a more stable rate of return for his products. It is fair to say, however, that there is not universal agreement among farmers that this would be the best approach, but as the farm situation becomes more distorted, we can anticipate increased interest in producer marketing boards.

As we have pointed out in our presentation today, it is quite obvious that the consumer is in a position to pay a fair price for farm products, and also that there is no justification for the accusation that the problems of the farming industry stem from the lack of efficient management at the farm level.

Because of the very nature of his operation and the many thousands of small units represented in the farm field, it is practically impossible (unless through a system of marketing boards) for the farmer to put a price tag on his product - and, as a result, he has had to appeal from time to time to governments to institute legislation by which farm products will maintain a fair and reasonable level. This, of course, meets with considerable criticism and it is generally suggested that farmers should be able to compete for their income on an open, competitive market. Our arguments would indicate that perhaps the inefficiency with respect to food production can more likely be found in the processes employed after





the products leave the farmer's premises.

Canada enjoys a very high standard of living, made possible to a large extent because of the protection which is accorded to other industries who must, in turn, gain their income from the farmer and other segments of the economy, of course.

According to the report of the Gordon Commission, tariff protection of Canadian industry costs the public an amount equal to 3-1/2 per cent of the Gross National Income, or about \$900,000,000 a year. The Report also states that Canadian industry pays wages 25 to 30 per cent below current wage levels in the United States. In other words, it is evident that the producers of food commodities are being asked to do what is apparently impossible so far as industry is concerned.

Under present conditions we have a situation where 15 per cent of the Canadian population receive less than 6 per cent of the national income. Considerable publicity has been given to the fact that consumers are receiving extremely specialized services in the processing of food commodities, service unheard of a very few years ago.

Various food products are being pre-cooked and put up in small packages, right down to meeting the requirements of single individuals. This type of service has met with considerable success and we do not recommend that it should be discontinued. We are of the opinion, however, that this is extremely costly merchandizing and the consumer must be





prepared to carry the full cost.

We do not agree with the argument that the consumer has demanded this degree of service; we state rather that it has developed out of keen competition in the wholesale trade, and naturally there is competition of ideas that will give even temporary advantage over a competitor.

We submit that there is no justification for many of the methods of merchandizing, distribution and marketing presently employed in the food industry.

It is little wonder that the producer's share of the consumer dollar is shrinking rapidly, when some of these basic food commodities (such as milk, bread and meat products) are being peddled from the City of Winnipeg to every corner of the province.

This, of course, is not by accident nor of necessity, and it is not an entirely new development. Country slaughter houses, as an example, were openly discredited as uneconomic 20 years ago.

We submit that it is economic folly to attempt to give a daily year-round delivery service to rural Manitoba, considering road and weather and distance factors.

Obviously these services must be paid for, and we would suggest that the price received for a loaf of bread or a quart of milk, delivered 100 miles or more from the source of supply, at current prices, is not repaying the costs involved. We





think this operation is possibly being subsidized by excessively high prices in areas of denser population -- that the producer is not receiving a fair price for his product - or that the companies involved are prepared to spend considerable sums of money in an effort to eliminate small operators, such as bakeries and milk processing plants spread throughout Manitoba.

We do not believe that it is necessary nor desirable, considering the costs involved, that several different delivery trucks should travel the same roads in an effort to give a specialized service to remote rural points. It has been authoritatively stated that some of these small stores in the past have received as many as 25 calls from a bread truck in one week. There seems little justification to argue over a few cents on a bushel of wheat in the face of this wasteful extravagance in distribution.

According to information available, the average extraction of flour from a bushel of wheat is 72 per cent.

One bushel of wheat will provide for 70 loaves of bread (1-lb. loaves). Disregarding all other ingredients required to produce bread, we find that at present the consumer is paying 70 x 17 cents -- of course, this figure does vary in places -- or \$11.90. Although the Canadian Wheat Board has reported that the total realized price on No. 1 Wheat has been \$1.609 per bushel, this does not mean that the farmer received this amount. A





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 909 -

Mr. Patterson

figure of \$1.30 for the milling grades would be much closer.

Therefore, the percentage value, or the farmer's share in each loaf of bread is 9.1 per cent.

The situation with respect to milk is equally ridiculous, where we have milk trucks driving hundreds of miles to compete against local producers with a processing plant in their own community. We have been much concerned over increases in the price granted to processors during the past year. According to the Manitoba Milk Control Board, these increases are justified and it is quite possible that the companies concerned could show a substantial cost in their current method of doing business. However, there has been an exceptionally rapid expansion program evident in the milk business in Manitoba in the past number of years, and we would suggest that, while there are many thousands of dollars invested in equipment and in wasteful services through the country, the matter of the disposition of the consumer's dollar in this respect would no doubt bear close scrutiny.

Conclusion: In conclusion, may we say we have attempted herein to fairly set out for your consideration the situation as it presently exists. We regret that we have not had access to as much statistical information as we would have liked. However, you did suggest in previous communications that the Commission would be prepared to go into more detail





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 910 -

Mr. Patterson

in that respect in your subsequent studies.

We would respectfully suggest that, with reference to some of the points raised today, this Commission might be perfectly justified in going beyond the confines of our own country and observing some of the techniques employed by other countries who have been doing an outstanding job of maintaining a reasonable level of return to the producer, and at the same time providing adequate food to the consumer at reasonable prices.

All of which is respectfully submitted.

The Manitoba Farmers Union.

THE CHAIRMAN: Thank you Mr. Patterson.

The brief will be Exhibit No. 18.

EXHIBIT NO. 18: Submission by Manitoba Farmers Union

I want to ask Mr. Kidd if he will put some questions he would like to ask. Before he does that, may I just refer to your reference to our own studies, and in particular to your very pleasant suggestion that we go to other countries.

MR. PATTERSON: We like to be helpful sir.

THE CHAIRMAN: We are planning on making studies on these various points that you have referred to, and you are quite correct in giving some indications as to what we would like to have from your organization. We did point out that we would be in a position from the detailed information received, if you could indicate to us the things





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 911 -

Mr. Patterson

with which you are concerned.

We had no plans at the moment to go outside, although we do intend to have our Director of Research go to Washington and work through the material. You have given us one or two references, one reference to American Data, and it is quite true that they have much more elaborate data on this problem on a continuing basis than we have. As you know, this is one of the matters which is referred to in our Terms of Reference, the inadequacy of our data.

COMMISSIONER KIDD: Mr. Patterson, I am all in favour of your suggestion too, but I gather since coming to Winnipeg that some people think taxes are high enough, and possibly they would not appreciate us travelling somewhere to study citrus fruits and what not, although I certainly would be keen on doing it.

One or two points, some of these questions would be a bit general, but you mention that on page 2, "The problems within the agricultural industry became obvious with the lifting of price controls in 1946 --". Could you explain to me what you meant by that?

MR. PATTERSON: Yes sir. Specifically that from that time on there was some, there are indications, they didn't become too real as far as figures were concerned in many instances, but the implication was there. It did materialize very shortly after 1956, with the price controls for the goods and services that are consumed in Canada





and with agriculture competing on the world market, there was a gradual shift in that direction.

COMMISSIONER KIDD: You are not suggesting a return to price controls are you?

MR. PATTERSON: No. We would possibly suggest a different type of national policy in that respect, if we are going into that field.

COMMISSIONER KIDD: I notice too in your submission, it has occurred on quite a number of other submissions that we have had, that the year 1951 seems to be the turning point. Do you have any statistical methods that it is a good idea to pick one year that seems to be out of line with others, and then follow through with comparisons?

MR. PATTERSON: Well not -- that would vary sir with various situations, and various types of analysis. In so far as the farm picture is concerned, that seemed to be, from there on there was a definite -- there was a more obvious, more definite turn starting at that time, and at the same time the prices in other fields continued their upward trend.

COMMISSIONER KIDD: Do you feel that this is the truly representative year though?

MR. PATTERSON: It just depends. That would depend sir on just what material you wanted. It would depend on what your analysis was, or what you are looking for. We are indicating here that that was actually the peak, and this situation leading up to that stage, and say beyond that period the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 913 -

Mr. Patterson

recession in the field of agriculture. While it was obvious that this trend was developing from 1946 on, or would develop because of the national policy, from 1951 it became much more obvious, and while the farm price went down the one way, and then the other prices continued, -- had to go in the other direction.

COMMISSIONER KIDD: Turning that around, would you say that 1951 represented for farmers the sort of return that you feel is relatively adequate?

MR. PATTERSON: More direct relationship, yes, in that period from late 1948 to 1951.

COMMISSIONER KIDD: And that would be the year that you would feel that did have some worth while benefits for farm groups?

MR. PATTERSON: There is a much more reasonable relationship in that period, yes, between farm prices and the cost, farm costs.

COMMISSIONER KIDD: At the bottom of page 3 you say "inability to effectively control prices and production". You mentioned about price of production in the brief, but what about control of prices? What do you think could be done by farm groups to control prices?

MR. PATTERSON: Well I have suggested further on in the brief sir, that if there isn't anything that can be done in our current methods of doing things, that the farmers will have to go into business for themselves, and do exactly the same as you or I would do if we were in the factory, and we would put a price tag on our product that





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO - 914 -

Mr. Patterson

would bear a fairly reasonable relationship to the cost of operation. Other than that we would have to close our doors.

COMMISSIONER KIDD: You mean you would set up your own co-operative selling agencies, or something of that nature?

MR. PATTERSON: Yes, it could be done in that respect.

COMMISSIONER KIDD: You feel that by doing that sort of thing you would have more effective control, or might have some control?

MR. PATTERSON: Merely the expansion into that field, whether it was on a co-operative basis or through a full controlled marketing board system, you would get a larger degree of equalization or stabilization in prices. But even with that you couldn't materially determine the level that the price was going to be, because of the implications and other factors outside of the country bearing on your own market as long as we are doing business on the same basis as we are doing at the present time, that is, with products being produced in other countries and being dumped into the Canadian market, which have the effect of depressing our own prices.

COMMISSIONER KIDD: "Control of production", do you have in mind there that farm organizations could suggest restrictions in production depending on markets from time to time?





necessarily so. I think that the farmers would, with a reasonable level of income, level out their own production themselves.

One of the significant factors in the distortion of the whole picture at the present time is that the farmers have in fact endeavoured to maintain their income in the face of declining prices and increased costs -- have endeavoured to use to the maximum the productivity of their farm plant, to make up that difference. At the same time it has had a detrimental effect in that undisposed surplus has depressed their market.

COMMISSIONER KIDD: This question does not have much to do with our price spreads, but on page 4 you have a figure set out there total debt is this the total debt incurred in the year or the total debt to be paid for in a year, or is the total debt that is amortized over a number of years?

MR. PATTERSON: That is the debt position of all the farming industry in that particular year.

COMMISSIONER KIDD: It would not necessarily be correct to say it could be charged off against gross income in any one particular year?

MR. PATTERSON: Oh no.

COMMISSIONER KIDD: On page 5, in the second paragraph of the last sentence, you say "The consumer has little opportunity to buy on the basis of the grade at which the producer was paid." Do you feel that the grades are not carried through





to the consumer?

MR. PATTERSON: That is so.

COMMISSIONER KIDD: I suppose you could put that backwards and say that the consumer does not necessarily get the grades that he thinks he is getting or that was originally paid for.

MR. PATTERSON: That is the grade of the particular commodity that the farmer put on the market.

COMMISSIONER KIDD: On page 7 down near the middle, "These figures would tend to suggest that the wage earner has consistently benefitted from low food costs --" Do you mean by that you believe that the food prices that are charged to the wage owner in your opinion are low?

MR. PATTERSON: They are low with respect to -- compared to or related to the cost of production.

COMMISSIONER KIDD: Of the farmer?

MR. PATTERSON: That is right, but the farmers' costs have been continually going up and the prices of the commodities have been going down.

The levels of wages, as I say, continue to rise and so there was a smaller percentage of the disposable income used in the purchase of food commodities and still maintaining, I might suggest, a higher level of income -- that is food income as far as the consumer is concerned.

COMMISSIONER KIDD: This, of course, is not the story that we always hear from other groups, but going back to page 6, as to the consumer's





position: "The following table refutes any argument as to the ability of the consumer to pay a fair price for farm food products:" I take it you are stating the case as strongly as you can there, but are you suggesting that in the wages you quote here that the consumer in urban centres is able to pay more than he is paying now for the various products he gets? You say it refutes any argument of the ability to pay?

MR. PATTERSON: I would say, sir, that their wage incomes against the relative costs, I would say the food has been declining over the period of time.

COMMISSIONER KIDD: You are making your comparison with respect to food?

MR. PATTERSON: That is right. They are spending less of their disposable income in the purchase of food and still they are buying commodities of a high percentage or higher quality food than they were in say in 1948 or 1950.

There is also another point I draw to your attention, gentlemen. It is referred to briefly in the cost of bread. During the course of the past -- less than 2 years, the price of bread has increased in Manitoba by approximately 2 cents per loaf for a 16-ounce loaf. At the same time the price of grain, as we point out here, has been declining consistently.

Now, we have been told from time to time, of course, that the consumers cannot afford to pay the farmers a parity price for their products, but





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 918 -

Mr. Patterson

if the price increased that the baker is presently receiving or the increase in the course of the last two years, had been related back to the farmer -- if the increase in the price of bread to the consumer had been carried back to the farmer, he would be getting somewhere in the neighbourhood of \$2.50 for his wheat because you see the percentage of wheat in a loaf of bread is so small.

I will just take it a step further, supposing that the price of bread had gone up only one cent a loaf, and the consumer was given to understand this was going directly to the farmer. The immediate reaction would be one of protest against the farmer who is forcing the price of wheat up, or the price of bread up. When it comes the other way it is not so significant and consequently with the two bread increases there has been practically no complaint from the consumer, which is an indication to us that the consumer can pay a fair price -- we are not going to suggest an exorbitant price that there should be no limit -- but the consumer can pay a fair price for their product; a sufficiently high price to enable the farmer to stay in business and make a living.

COMMISSIONER KIDD: I cannot see that you are dealing with spreads here at all because it seems to me you are leaping from the original producers, the farmers, right through to the consumer.

MR. PATTERSON: That is the spread we are concerned about, the spread between the farmer





and the consumer.

COMMISSIONER KIDD: Yes, but it seems to me in making your point there you were neglecting a lot of other factors in talking about the ability to buy a product. You are overlooking, I suggest, some of the elements of the spread. Do you think that if the consumer was to pay more for some of these products that the farmer would necessarily get more out of the price that the consumer pays or do you think it might go somewhere else?

MR. PATTERSON: I have a sufficient degree of confidence in the work, gentlemen, that you are doing that you are going to take care of that.

MR. GALONSKY: I think, Mr. Kidd, the purpose of this part of the brief being put in there was not to suggest a higher price at all. I think the purpose we put it in there was simply to cover up the tendency that the consumer has from time to time to criticize the agricultural industry for continually demanding for high prices.

We are not suggesting at all that the consumer should pay more if he cannot pay more. If the administration of this country suggests he should not pay more then we have to refer to some other source of present program that is being put into effect by the present Government, subsidies or deficiency payments or some such thing.

We cannot continue to subsidize the Canadian consumer any more because a person on a farm is not a farm like we used to have it. It is





not a way of life where a fellow liked it and he went out there and he had a couple of horses, and he had his own food. Today you are farming -- you are running a big business and it is very big. I would just like to quote from some figures by Professor Sinclair that were given quite recently. Here, for example, we have a capital investment on a three-quarter section of a farm stands currently around \$35,000.

To go further we can find if we look at our three-quarter section farm we find per worker on this farm there is an investment of \$2,986 in capital assets and \$2,400 in cash. It is a big business we are running today. It is not just something that we will use and I think the consumer has used. There is a tendency of accusing the farmer. The farmer says he should get more. They say well look, they are asking for hand-outs.

The same thing we have a lot of our politicians and economists talking about how much -- for instance they are asking prices and they are using the American program as an excuse to do away with facts.

I have here a publication, the House of Appropriations, stated in January, 1954 -- there has been a lot of talk about how much money it costs the American Government for subsidies. Here we find that subsidies amounted to \$45,662,835,500 for businesses since World War II. A large part of this was for businesses yet to go down the average over the last 20 years for agriculture was \$175 million.





that is about \$9 million per year, and here when we ask that they give us \$20 million, not billions, there is a great hullabaloo, that the farmers are asking for a hand-out.

THE CHAIRMAN: I think we understand your position, but I would suggest that the question of deficiency payments is really outside of our Terms of Reference.

MR. GALONSKY: I realize that.

THE CHAIRMAN: If you say the spread is thus and so, and there is nothing you can do about it, but the farmer is depressed, this is outside of our Terms of Reference. That is our position.

MR. PATTERSON: Coming back, Mr. Kidd, to the reference made, the suggestion has been made from time to time, as has been said before, of the ability of the consumer to pay a fair price. I use that in the price of bread, and two instances which show that the consumer has little objection to paying a fair price, but at the same time has widened very substantially the return to the farmer of the consumer's dollar, if you see what I mean.

COMMISSIONER KIDD: On page 11 you say: "Our arguments would indicate that perhaps the inefficiency with respect to food production can more likely be found in the processes employed .." Would you comment on that for a moment?

MR. PATTERSON: The end of the first paragraph?

COMMISSIONER KIDD: Yes. What do you





suggest there?

MR. PATTERSON: I go on to mention some of the methods presently employed in processing and distribution of farm commodities.

COMMISSIONER KIDD: Do you think those things are very widespread? The things you refer to are milk and bread distribution.

MR. PATTERSON: Yes, the same thing. Those are two of the outstanding examples. You have, of course, the matter of packaging and so on which is presently quite popular, but which we suggest has been brought about more through competition on the part of the processors, distributors, rather than on consumer demand. The position in distribution with respect to bread and milk and, I would say, in the field of meat as well comes about through the system of distribution and competition which exists throughout the province of Manitoba which certainly cannot be justified on the basis of necessity. Now, whether that comes within your Terms of Reference or not, I couldn't say, but I suggest that is where a very large percentage of the consumer's dollar is being disposed of in this type of thing that is extremely costly, it is extremely wasteful, and it is quite unnecessary in normal trade. I also suggest there are several reasons why it has been carried on and ways by which it has been made possible, and that is where I think this Commission might look into the matter of milk very closely in Manitoba. Possibly people in the business can justify their





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 923 -

Mr. Patterson

costs on paper or can say that this percentage of the dollar is going for transportation and might raise the question why this transportation is necessary; and when it is suggested that the farmer should be more efficient, then that includes every aspect of the farming operation, but if the farmer does bring in all these economy methods and then produces with the maximum of efficiency, it is of little benefit if it is lost the minute the product leaves the farmer's yard and goes into the field of distribution.

COMMISSIONER KIDD: Thank you for answering my question.

COMMISSIONER WALTON: Were you referring to the fresh or the processed products in the package when you say the consumer had little opportunity to buy on the basis of grade?

MR. PATTERSON: I gave you a practical example. I would suggest fresh over the counter, in the case of meats of various kinds, beef, pork and so on.

COMMISSIONER WALTON: Than it was in the fresh form?

MR. PATTERSON: Yes, rather than the processed.

COMMISSIONER DRUMMOND: Mr. Patterson, apropos the matter you were just discussing at the close of your discussion with Mr. Kidd where you emphasized that in your opinion there is very little point to the farmer increasing his productive





efficiency if you do not also have correspondingly increased efficiency in other spheres. What I want to ask you is this: Can you envisage or can you not envisage certain circumstances in which marketing costs or the spread could widen quite justifiably over a period?

MR. PATTERSON: Well, statistically, Mr. Chairman and Mr. Drummond, there is not too much to indicate the necessity for increased costs in that respect. I suggest also, as before, that they can be justified on the basis of specific type of an operation. Whether that operation is justified, that is another matter.

COMMISSIONER DRUMMOND: What raised the difficulty in my mind was this: Suppose we agree that there are a number of inefficiencies at the moment and these constitute unnecessary wastage and so forth. Offsetting those, it seems to me that there might be necessarily increased marketing costs because of general economic developments such as enlargement of your area, your urban centres and so forth, which would involve increasing transportation or any other marketing costs. We all know that there is very pronounced increased organization, a larger and larger percentage of our people are living in these centres, and naturally they become probably the most costly to operate in. I simply mention this, not to suggest that they completely offset, but to ask could there not be conceivably a situation in which additional spreads





might be justified?

MR. PATTERSON: Oh, it is very definitely possible. As we become more and more organized, there would be certain advantages which would tend to decrease the cost because you would have a larger number of people in a concentrated area.

COMMISSIONER DRUMMOND: Just one or two other points. On page 3 at the bottom you have been discussing here this question of farm costs going up, farm prices going down, the farmer's position gradually worsening, and you suggest at the middle of the page that on the basis of costs and price increases, the Canadian wheat price should not have been reduced by 25 cents, but it should have been increased by a certain amount. The point here is that it raises the very important question as to the bases or basis on which prices are actually determined or should be determined. The question is whether or not the price should be established sufficiently high to cover the costs at any specific time, or whether you have to wait for what we call the long run for a price being sufficient to equate costs, and you go down a little further and suggest that you, in fact, have subsidized and so on. It is a matter of theoretic opinion, I would say, as to whether prices act in this way. Is there anything you would like to comment on in connection with that?

MR. PATTERSON: Yes. On the basis of all other statistics, in the cycle it has been





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 926 -

Mr. Patterson

following an upward trend. Whether at that time the price of wheat should have been \$1.60 or \$1.55, that is a matter where possibly the value could be somewhat closer. But the price of everything else went continuously up, whereas the farm prices continued to decline. Consequently, it followed the same, if you apply the same yardstick to all segments of the economy, you would conclude that is fair and reasonable, and the farm prices would have to follow the cost of production upwards, the same as the rest of the general trend in other places, and the cost of goods and services.

THE CHAIRMAN: Thank you very much Mr. Patterson for this submission.

We will adjourn until tomorrow morning at 10.00 a.m.

--- The hearing adjourned at 4.35 p.m.



*Mrs. C. M. Wilson*



# ROYAL COMMISSION

ON

## PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

WINNIPEG,

MAN.

VOLUME No.: 17

DATE:

APR 18 1958

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD.  
371 BAY STREET  
TORONTO  
EM. 4-5773                  EM. 4-5865





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

ROYAL COMMISSION ON PRICE SPREADS  
OF FOOD PRODUCTS

---

Proceedings before the Royal Commission on Price Spreads of Food Products commencing at 10.00 a.m., Friday, April 18, 1958, at Winnipeg, Manitoba.

---

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton  
Mr. J. Howard MacKichan  
Mr. Romeo Martin  
Mr. W. Malcolm Drummond  
Mr. Cleve Kidd  
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A. A. Caron

---





APPEARANCES

	<u>Page</u>
The Winnipeg Chamber of Commerce Mr. Evan McCormick Mr. W. Scott Neal	928
The Prairie Fisheries Federation Mr. Bryant Mr. G. F. Jonasson Mr. Van Every Mr. T. B. Collins	965
The Vegetable Growers Association of Manitoba Mr. W. E. Krockier Mr. D. Brown Mr. William Daman	1005
Canadian Association of Consumers Manitoba Branch Dr. Isabel MacArthur Mrs. Alan Tarr Mrs. E. J. Stansfield	1039

EXHIBITS

20	Submission of The Prairie Fisheries Federation	965
21	Submission of The Vegetable Growers Association of Manitoba	1006
22	Submission of Canadian Associa- tion of Consumers, Manitoba Branch	1038
22a	Submission of Canadian Associa- tion of Consumers, Manitoba Branch, to Manitoba Milk Control Board, October 10, 1957	1047
22b	Table dealing with "Effect of prices on consumption of milk"	1054





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 928 -

SUBMISSION OF  
THE WINNIPEG CHAMBER OF COMMERCE

THE CHAIRMAN: We will open the hearings this morning with the brief of The Winnipeg Chamber of Commerce, Mr. McCormick.

MR. McCORMICK: Mr. Chairman, madam and gentlemen: I think I should start off by explaining the absence of our president Mr. Malone, who is in Toronto attending the annual meeting of the Canadian Press and therefore unable to be here.

He wanted me to express his regrets and explain it was for no reason he could avoid he was not here.

The Chamber has been much interested in this work and this brief has been worked on by the Committee with careful review by the Council of the Chamber, which is our policy-making body.

To present it this morning our First Vice-President, Mr. Scott Neal, is here. I think he knows the content and is quite prepared to present it and to outline the Chamber's point of view and if there are any questions raised as a result of the presentation we will attempt to answer them.

THE CHAIRMAN: Thank you very much, Mr. McCormick. We are glad to have you, Mr. Neal. Would you read your brief now?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 929 -

MR. NEAL: Thank you, Mr. Chairman.

Mr. Chairman, madam and gentlemen, it is with some trepidation I do this in the absence of our president Mr. Malone, but I hope you will bear with me.

The Winnipeg Chamber of Commerce is an association of business and professional men, grouped together for the common purpose of promoting the commercial, financial, professional, educational and social conditions of Greater Winnipeg in particular, and Manitoba and Canada in general. With a membership of over 1500 this Chamber represents a broad section of the Greater Winnipeg community.

The Winnipeg Chamber of Commerce submits, as a basic tenet, that the free play of enterprise, competing in the market place to serve the needs and demands of the consumer, results in a better price than can be achieved through any other system yet devised. The competitive price system, if free to act, results in the most efficient allocation of resources in terms of the alternative demands for these resources. It results, specifically, in the lowest possible unit cost of production and hence price to the consumer, consistent with the highest possible wages to employees and with the highest possible return to the proprietors, owners and for shareholders.

Within the above context, and in the matter specifically before the Commission for inquiry and report, The Winnipeg Chamber of Commerce draws the attention





of the Commission to three major factors of reasonably recent social and economic significance.

1. Governments have imposed ever increasing regulations relative to the handling, storage, grading, inspection and display of food products. These regulations sometimes conflict with normal business practice and compliance requires additional handling and materials.
2. The Canadian consumer is demanding food products which are as nearly ready to be cooked or eaten as possible. This involves more processing.
3. Merchandisers find that there is a better sale for goods that are cleaner, better packaged and attractively displayed. While this may contribute to the price spread, it should tend to increase overall sales.

In the absence of all other influences these three factors, on their own, would have increased the cost of processing primary produce, and hence the "spread". Augmenting the increased spread which these factors have brought about is the fact they have occurred in a period of rapidly rising costs of materials, labour, transportation, administration and overhead.

The spur of competition and the profit motive have tended to make processors and merchandisers conscious of the advantages of the reduction in





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 931 -

spoilage and waste. Refrigerated transportation was one of the earliest examples. The most recent is, perhaps, the process of "fresh-freezing". These innovations in processing which reduce spoilage and waste have also generally resulted in a better product for the consumer. While benefits are not easily measurable quantitatively, few will deny that any reduction in spoilage and waste is beneficial to the community as a whole.

While agriculture has been, is, and will be of great importance to the economy of Manitoba, the contribution of the province's manufacturing industries should not be under emphasized. The latest available Dominion Bureau of Statistics data indicate that the net value of manufacturing production, i.e. the value added, touched \$247 million in 1955 or about 42 per cent of the total net production in Manitoba.

The foods and beverages industries, as classed by Dominion Bureau of Statistics, which covers slaughtering and meat packing, bakeries, feed and flour mills, fruit and vegetable canning and processing, etc., made up 27 per cent of this manufacturing total. These same businesses, 369 in all in 1955, paid out over \$30 million in salaries and wages, and employed close to 9,700 people. They form an important part of Manitoba's economy and the work of the Gordon Commission would indicate that theirs is a share which is





likely to increase considerably over the next twenty-five years. We would hope that the Commission will be most careful in its recommendations to see that this growth and expansion is not impaired.

We trust that the Commission, in looking at the spread in price which exists between primary producer and consumer will give some attention and focus some of its research on the taxation content of this spread. The incidence of taxation in Canada both during and since World War II is such that the share of the consumers' dollar siphoned off by the tax collector between the producer and consumer is a very real factor in the eventual cost. To the extent that this handling and processing of merchandise is carried on by corporations, it is clear that the corporation tax alone extracts a share roughly equivalent to the profits earned by these corporations.

It is a simple but little realized truth that, in the long run, a corporation must pass on all its taxes in the prices it charges for its goods and services. The corporation tax increases the corporation's cost of doing business and forces it to act as a tax-gatherer for the government by including the tax in its prices.

It is true that efforts are made, by taking advantage of certain tax concessions to co-operative forms of enterprise, to avoid payment of corporation taxes, thus gaining for such organizations some





opportunity to narrow the price spread or to make a larger profit. However, the costs of government must be met and any loss in tax revenue here will certainly be made up by government at some other point so that the consumer will eventually pay, one way or another, for the services provided by government.

This is not an attack on anyone, least of all on government or on methods of taxation. It is simply to suggest, respectfully, to the Commission that in its search for the factors which cause the spread in prices between the producer and the consumer, it should extract some information and should provide public enlightenment on the share of that spread -- which we believe to be considerable -- which is made up of taxes.

Although there has been a considerable diversification of industry in the province, Manitoba business still depends heavily on the prosperity of the agricultural community. Because of this, The Winnipeg Chamber of Commerce has a real interest in the prosperity of this important segment of our economy. The Chamber suggests respectfully to the Commission that, in its deliberations, consideration be given to the overall status of the farming community in Canadian economic life.

The average farmer's relative position has deteriorated perhaps more as a result of fundamental changes in world markets and methods of production than





as a result of any overall widening in the spread of farm products. These changes are of a more permanent, long run nature, and have resulted already in a heavy movement of people out of the farm labour force, a decline in farm population, and a drop in the number of farms in use.

The Winnipeg Chamber of Commerce suggests respectfully that the Commission might wish to examine the role of government in agriculture in an attempt to ensure that this role is being limited to a mitigation of the harshest aspects of severe marked dislocation and is not tending to prolong the period of transition described above. The maintenance of an uneconomic situation over a long period can work only to the disadvantage of the community as a whole, which includes that part of the community which it is designed to assist.

Respectfully submitted,

THE WINNIPEG CHAMBER OF COMMERCE

Thank you very much, Mr. Chairman. If you have any questions I shall endeavour to try to answer them, at least Mr. McCormick and I together.

THE CHAIRMAN: Thank you very much. I am going to ask Mr. Couvrette if he will lead off with one or two questions that we have in mind but before I do so, may I just make a comment on the last matter raised in your brief where you refer to a number of factors affecting the general prosperity





of the agricultural industry.

I think that these matters may be outside our Terms of Reference. We are not asked to explore all of the avenues which may add to the prosperity of agriculture. Our Terms refer specifically to the spread.

I think the points that you have referred to are outside the context within which we have to look at these things, and I think perhaps they are outside our specific terms.

Yes, Mr. Couvrette.

COMMISSIONER COUVRETTE: Thank you, Mr. Chairman. I have one or two questions I would like to ask this witness.

Your Chamber is a member of the Canadian Chamber of Commerce?

MR. NEAL: Yes, sir.

COMMISSIONER COUVRETTE: Is there any provincial chamber of commerce?

MR. NEAL: Yes, sir.

COMMISSIONER COUVRETTE: Of which you are also a member?

MR. NEAL: That is correct.

COMMISSIONER COUVRETTE: Your field of interest is very wide in scope. Would it, by any chance, besides business and professional men, have farmers as members?

MR. NEAL: I think Mr. McCormich could





give you details on that, sir, but there is no restriction of membership, of course, in any Chamber.

As a matter of fact, the Winnipeg Chamber being confined in this orbit to a city, naturally attracts more business men than agricultural people. The outside Chambers in Manitoba will likely have considerably more people who are directly engaged in agriculture.

COMMISSIONER COUVRETTE: The door is open to everyone for membership in your group?

MR. NEAL: That is correct. Anyone who is interested in the business welfare of the community is welcome.

COMMISSIONER COUVRETTE: Page 1, the second paragraph, opens a very long and very interesting discussion but by this declaration of policy, which you present in this paragraph and which is very clear in itself, would you imply that as it refers to food price spreads that there are certain controls or contributing factors that are against this free enterprise system which would contribute to the spread on prices?

MR. NEAL: Yes, I would, sir. I can illustrate it in this way. This is one phase with which I am personally concerned, and it is the manufacture of stock and poultry feeds. Under the present marketing set-up which is imposed by provincial as well as federal legislation, the free play of





free enterprise in the purchase of feed grains . . . for manufacture and distribution to people who are feeding livestock and poultry is just non-existent, legally; feed grains must be handled through the Canadian Wheat Board which imposes its own idea of a sale price for such grains. Now, obviously that removes any competitive factor in pricing. That is one.

Can you add to this, Mr. McCormick?

MR. McCORMICK: No.

COMMISSIONER COUVRETTE: Now, on page 1 again, the last paragraph, you have drawn attention to government's regulations relative to certain services. Would you imply there that certain of those regulations are unnecessary and liable to add again to the price spread of foods?

MR. NEAL: Not so far as the regulations concern the method of handling, storage, grading, inspection and display, and in so far as those regulations concern preservation of the product, your food laws, regulations, in regard to seeds under the Seeds Act, things like that, are matters which in our opinion our sound, good, and yet they increase costs. But they are for the good of the public, protection of the public.

MR. McCORMICK: There was one point. Manitoba has a surplus of food products, and because we want to meet standards the product is sometimes





up-graded in order to meet standards. But sometimes regulations can get to the point where they do impede. This is the time when we are manufacturing Texas carrots, and all over the continent they are sold in 20-ounce bags. We are told that they should be sold in 16-ounce bags. It becomes a custom packing job. That is one sample, and I do not suggest there are many, but it is one that is drawn to our attention, the kind of regulation that really doesn't help anyone, and because it does demand a special package it does increase the cost to get them on the market here.

COMMISSIONER COUVRETTE: But we have to conclude that all these regulations, or nearly all of them ---

MR. McCORMICK: Yes, these are things which are probably put in with good intention. These things are bound to happen.

COMMISSIONER COUVRETTE: But they are things which help to cause the spread.

Now, on page 2, the next two paragraphs, you touch a point as to whether the consumer really wants what is afforded to him at very high cost as far as packaging and advertising and so on are concerned or whether it is forced onto him.

MR. McCORMICK: Mr. Chairman, we have enough confidence in our merchandisers that we believe they will merchandise their goods in the way the public want. There is a small tube of tomatoes





sold in a plastic cover, and in response to the protest that people were charged extra, they started putting in a small package beside these tomatoes. The sales are about fifty-fifty between the tube and the carton. About half of the people in those stores want them in the tube and are prepared to pay to get them that way. It is an added cost, but it sells the goods. If the people want them washed and put on display, they inevitably find that it sells as well if it is neatly presented, and so they get into that kind of marketing because it sells the goods.

COMMISSIONER COUVRETTE: So your feeling is that those methods really help the disposal of the product?

MR. McCORMICK: It has been designed to help sell. I suppose consumers could be educated to buy otherwise by advertising methods. This is the way the consumers -- it is hard to say that the consumers demand it, but the merchandisers have found that there is a better sale if it is that way, and in that way we can say that the consumer demands it.

COMMISSIONER COUVRETTE: The price of educating the consumer might be just as high as the spread?

MR. McCORMICK: It might be.

COMMISSIONER COUVRETTE: Now, in the last paragraph on page 2, bottom of the page, that 27 per cent of this manufacturing total that is mentioned on





the last line, very last word, wouldn't that be on the food and beverages total production only or on the total Manitoba production?

MR. McCORMICK: It would be 27 per cent of the 42 per cent.

COMMISSIONER COUVRETTE: Out of the 32 42 per cent?

MR. McCORMICK: Yes.

COMMISSIONER COUVRETTE: Now, on page 3, the second paragraph, would you care to elaborate a little on that question of corporation tax?

MR. NEAL: Yes, Mr. Couvrette. We have one or two figures to supplement the brief there. Taking the subject from one standpoint, the 1955, going back a couple of years, gross national product was almost \$27 billion. Now, the total corporate tax collections were \$1,882,800,000. Taking those two large but simple figures, you realize that 7 per cent of your production went in taxes. Now, that is a pertinent figure of the corporation as a tax collector. That is corporate and sales tax.

THE CHAIRMAN: Including sales taxes.

MR. NEAL: Yes.

THE CHAIRMAN: Do these apply to food?

MR. McCORMICK: No, these were taking the corporation as a tax collector for the government.

THE CHAIRMAN: For foods and everything?

MR. McCORMICK: Yes.





THE CHAIRMAN: But there are no sales taxes on foods?

MR. NEAL: No.

THE CHAIRMAN: But if you include the sales tax on food it will be less than the sales tax on others?

MR. NEAL: Yes. I have another figure, sir. Again referring to the Public Accounts in 1956, the total federal revenues for the year ended March 31st, 1956, were \$4,400,000,000, and practically 91 per cent of that was from tax sources, the total revenue from tax sources being approximately \$4 billion. Forty-one per cent, almost 42 per cent, of that came from corporate taxes.

MR. McCORMICK: \$1,500,000,000.

MR. NEAL: But probably you can assume that a large portion of the government's revenue comes from corporate taxes. It comes back to our point that the corporation is a tax collector. Those are the only two supplementary points I can make on that paragraph.

COMMISSIONER COUVRETTE: In the last paragraph on page 3 you mention "Co-operative forms of enterprise." Do you have in mind there to imply that there are certain forms of co-operatives which are not truly co-operatives, as principles of co-operation are supposed to be, or is it merely a reference to really straight co-operatives?





MR. NEAL: I would say this in respect to that question, sir. Firstly, I wouldn't attempt to suggest that co-operatives might be a true form of co-operatives or not, but I think I could give you some information.

I propose, as accurately as I could, some statistics that are, whilst not public, are available. They refer to the three largest co-operative organizations in Western Canada. They refer to the three provincial grain pools, the Manitoba pool, the Alberta pool, the Saskatchewan pool. The figures I have which were gleaned from their annual reports for the year ended 1957, July 31st, 1957, in each instance indicate that in the case of the Manitoba pool the net earnings were approximately \$1,500,000. As closely as I have been able to compute, the taxes paid were \$68,000. You also heard a reference to the corporate tax as being approximately 50 per cent of the net available to shareholders, or equal to the amount available to shareholders, I should say.

In the case of the Saskatchewan pool the figures I have indicate net earnings of \$4,500,000, income tax as indicated was \$548,000.

In the case of the Alberta pool the figures are \$1,293,000, net earnings; taxes, \$117,000. Taking a very rough calculation, their taxes amounted to less than 10 per cent of the net earnings.

So I say that there seems to be some





preference in the taxing statutes in favour of that type of corporation. Now if that is a matter of public policy, that is the way it should be, but in any event that is the net result.

COMMISSIONER COUVRETTE: I think, Mr. Chairman, that is all I have.

COMMISSIONER WALTON: Wouldn't some of that, of the net profit, have been returned as a patronage dividend? They have to pay income tax?

MR. NEAL: Quite right.

COMMISSIONER WALTON: Have you done any computing to individual persons?

MR. NEAL: Yes, I have, Mrs. Walton. The point there is that a distribution by way of patronage dividend is made to the customers of a co-operative organization. Now under the taxing law, as I understand, as it exists at the moment, that patronage dividend does not have to be paid in cash immediately. It can be charged in the Co-operative corporation's books against these earnings, set up as a credit to the customer. A portion, or as much as the corporation decides, may be held back for future return to the customer.

Now, the time and the manner of repayment, the interest that logically might be credited to that repayment are a matter of discussion for the corporation, co-operative corporation.

COMMISSIONER MacKICHAN: You would regard





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 944 -

that as a privilege?

MR. NEAL: Yes, that is regarded as a privilege.

COMMISSIONER MacKICHAN: Isn't it true that this also is available for private corporations if they wish to take advantage of it?

MR. NEAL: The law presumably applies to all corporations alike. The interpretation appears to be a matter of question. The normal corporation, the corporation having their capital, apparently, has not seen it possible to administer its affairs tax-wise in the same manner as the co-operative corporation.

There are instances where somewhat the same practice is followed, but I know of no, shall I say, public company where it finances by withholding money from its customers which it might otherwise have distributed to them. Some private corporations do pay patronage dividends, but they are paid in cash.

COMMISSIONER MacKICHAN: As far as you know public companies have not taken advantage of that privilege which you feel is open to the co-operatives?

MR. NEAL: Would you repeat that, sir?

COMMISSIONER MacKICHAN: As far as you know public companies have not taken advantage of that privilege that is accorded to co-operatives, or is it open to everybody, to all companies, but private companies have not, or public companies as





we call them, have not taken advantage of them?

MR. NEAL: I would repeat, sir, that the law must be the same for all except that there appears to be some preference in the law for co-operative institutions which public companies presume that they are not able to avail themselves of.

COMMISSIONER MacKICHAN: But that hasn't been tested in the courts?

MR. NEAL: No, it has not, to my knowledge.

COMMISSIONER MacKICHAN: Would the expense of record keeping that is necessary to be able to pay patronage dividends, would that be a deterrent, do you think?

MR. NEAL: I do not see why because what one institution can do in the way of records certainly another could.

COMMISSIONER MacKICHAN: Yes, but they cost money.

MR. NEAL: I think the competition factor would decide whether it was reasonable or not so far as the cost of keeping records was concerned.

COMMISSIONER MacKICHAN: That is just what I was thinking of, but probably the competition features show that it is not too profitable to take advantage of it. Would the advantage be more imaginary than real?

MR. NEAL: No, I think the fact is that





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 946 -

some public companies do pay patronage dividends so it must follow that they can keep the record.

COMMISSIONER MacKICHAN: That is all I have.

COMMISSIONER WALTON: May I just ask one or two questions. On page 3 where you say you hope that the Commission will be most careful in its recommendations to see that this growth and expansion is not impaired, I was just wondering if you wanted to amplify that. Do you imply that perhaps the findings of this Commission might be detrimental? That is probably an unfair question.

MR. NEAL: I think I will have to withdraw that sentence.

COMMISSIONER DRUMMOND: Mr. Neal, the second paragraph on your first page, and as has been indicated this could give rise to a very, very long, very interesting discussion, but I would like to ask you whether you think that free play enterprise, you can define this system any way you wish, whether you think that the system as outlined shall we say in that paragraph is what you would call the normal, economic system in 1958?

MR. NEAL: That word "normal" is a very difficult one. You are either trying to work back to normality or work ahead to it, but it never seems to be here. Do you mean, sir, could I answer your question this way, that your free play of competition





is the natural way?

COMMISSIONER DRUMMOND: Well, it might be interpreted that way, yes. You call it competing in the market place, and so forth. You say it results in better prices, and so on. We as a Commission are concerned, of course, with proper prices, and you are, I think you are suggesting that free competition be given a chance to operate -- would give these particular results. What I am really after is in this year it was not given a chance to operate or if it has been?

MR. NEAL: I think that generally speaking free competition exists. I think in certain segments of industry, and in particular agriculture, there are instances where free competition in pricing, and on the rights to deliver and through many phases of the handling of agriculture, merchandise, there is not free play. Now presumably from the consumer's standpoint that is not proper. You refer to a "proper price" and I will have to wait until I pass beyond to ask the good Lord what a proper price is. In the meanwhile, I think Mrs. Walton competing with Mrs. Neal at the grocery store would decide what the price should be.

COMMISSIONER DRUMMOND: What I am really concerned about is whether or not when Mrs. Walton and Mrs. Neal make their wishes known at the grocery store, whether their wishes are reflected in price





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 948 -

changes? In other words, whether there is, as you speak of, free competition?

MR. NEAL: Yes.

COMMISSIONER DRUMMOND: Do you actually compete, or is there to your knowledge real competition on a price basis?

MR. NEAL: Well, certainly if we go from store to store we find them watching to see who is making the sales and why, and it is competition that decides who gets the business.

COMMISSIONER DRUMMOND: As I say, this is something we could go on with for a long time, but the last paragraph there covers the point I was going to raise, also and again at the top of page 2 I would like once again to raise this question: you and Mr. McCormick have explained very well the significance of the word "demanding". I think we as a Commission are very concerned who really does have the initiative. In this case, whether it is the merchandise or whether it is the consumer, and you say that in the opinion of the Chamber of Commerce you seem to feel that it is a desirable development so long as it has increased sales, overall sales. I am just wondering if that is the correct criteria to apply.

MR. McCORMICK: Mr. Chairman, I think we were suggesting rather that the initiative is good regardless of where it comes from. The criterion is not so much that it increases sales, but that it





satisfies consumers either in price or appearance, or anything else. The whole enterprise system has been built on people who think they can meet a demand, or sell a product. They take the risks involved, which are calculated risks, and put that on the market, and then if the consumers buy them they are successful. If the consumers do not buy them they quietly go bankrupt and someone else tries something else. That is the normal economy. We feel so long as they are providing something that the consumer wants that they are being good merchandisers.

COMMISSIONER DRUMMOND: What I am really trying to suggest is there may be a question or two as to whether the consumer wants it or not. You may say that they indicate by the willingness to buy that they do, but maybe I am asking whether it is in the consumer's own best interest.

MR. McCORMICK: Well, this world is full of people who know what is the best interest of other people.

COMMISSIONER DRUMMOND: You think there is another case where we need consumer education?

MR. McCORMICK: I don't care whether you educate the consumer or not, so long as the consumer gets what he or she wants. Consumer education is good. I am all for it. The country is full of people who want to educate people to our way of thinking about something, or our way of thinking about





this. I have every faith in the commonsense of the average Canadian. I think they will buy what they want even if they want to pay a little higher to have someone else do the job that they probably should economically best do for themselves rather than pay someone else.

COMMISSIONER DRUMMOND: Do I take it from that that you do not feel that there is any particular need for this thing called consumer education as such?

MR. McCORMICK: If consumers want it, fine; let them have it, but I don't think it should be thrust on them.

COMMISSIONER DRUMMOND: That is fine.  
Well, now ---

MR. McCORMICK: I may say that my wife and I subscribe to consumer publications. We personally believe in it, but I wouldn't want anyone to thrust it on me and my wife.

COMMISSIONER DRUMMOND: Quite. In the middle of page 2 where you refer to the reduction of spoilage and waste, you mention there that there is this additional refrigeration required. Now of course that does involve a cost. On the other hand you suggest quite rightly that there is a reduction of spoilage and waste. Have you any thoughts as to how the cost involved in preserving compares with the saving involved in preventing waste?

MR. McCORMICK: Being in favour of





eliminating waste, and so on, is like being in favour of virtue. I think it is hard to do, but again the man in the middle is willing to take the chance in investing his money in refrigeration, and the price of the end product may be somewhat higher than under the older methods, but he gets a higher percentage for his product on the market being in good condition, and so probably the greater return -- he wouldn't do it unless he felt that the greater return was going to make a profit.

COMMISSIONER DRUMMOND: You do not think it would be mathematically possible to calculate the results?

MR. McCORMICK: You might from some previous consumption get some figures, but all our methods have changed so much over the period that it is pretty difficult, I would think.

COMMISSIONER DRUMMOND: Might it not in the future be quite possible, though, that on balance there is a distinct saving?

MR. McCORMICK: We would hope so. Our feeling would be that the fellow in the middle would not put in -- would not invest capital unless there were some reasonable hope for a return, and the return would come only if there was some saving.

COMMISSIONER DRUMMOND: On the top of page 3 where you are referring to the food and vegetable industries as part of the total industry, you





says theirs is a share which is likely to increase according to the Gordon Commission. I was wondering about the significance of that word "share". Do you mean that you feel it is likely to become a larger share?

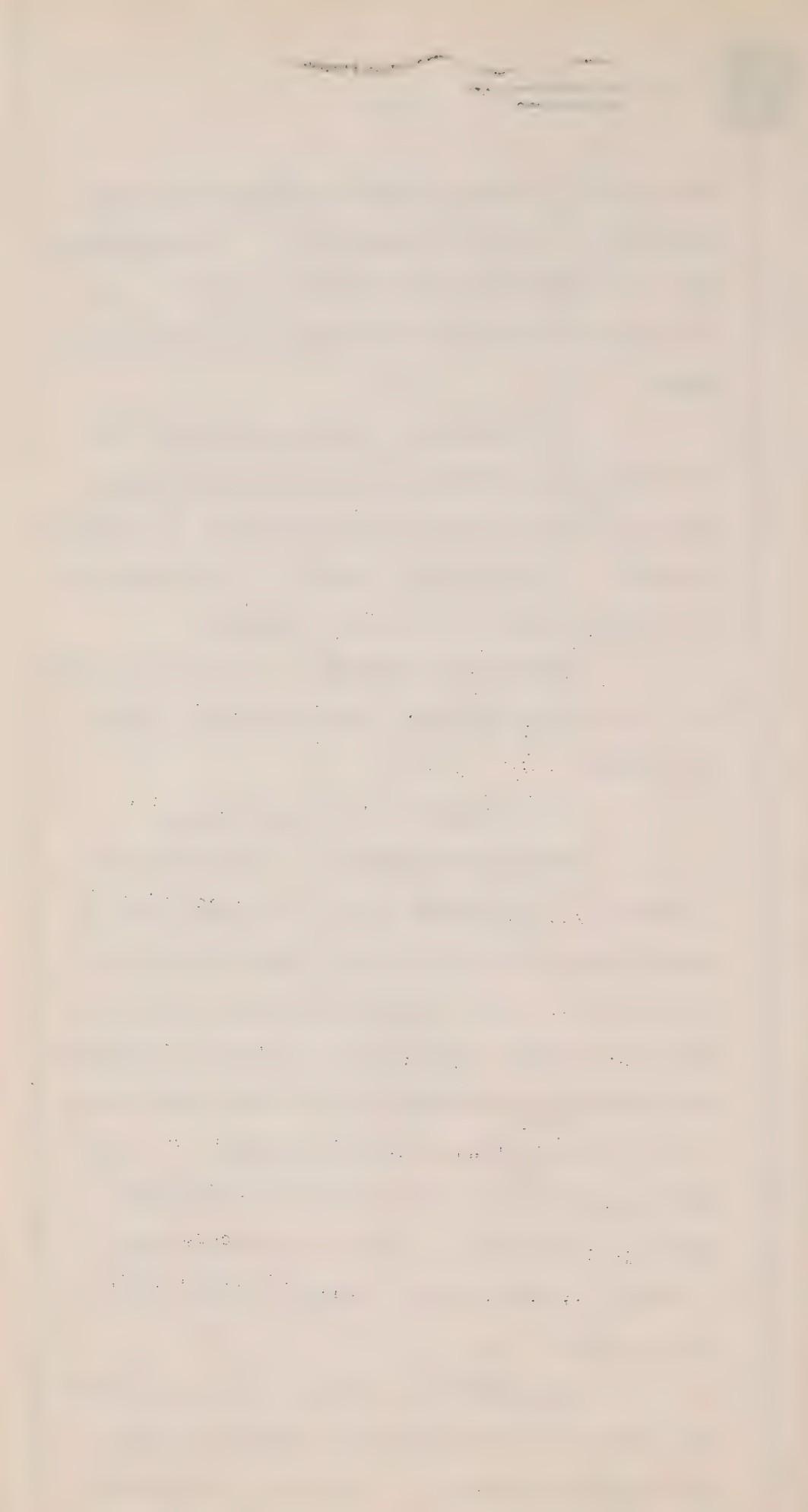
MR. McCORMICK: So far as Manitoba is concerned, the secondary industry is likely to increase at a greater rate than agriculture or primary industry. That is what it means. It is likely to be a greater share of our total production.

COMMISSIONER DRUMMOND: You feel that the food part of the secondary industry is also likely to increase?

MR. McCORMICK: Yes, also likely.

COMMISSIONER DRUMMOND: On this matter of taxation I quite agree we will certainly have to examine quite carefully the part which taxes pay in the spread. What I am concerned about here, and I think our Chairman has indicated on several occasions, the Commission is particularly concerned with trends of the last ten years, the last few years. I am wondering whether you have any information which indicates that taxes -- that is corporation taxes or others -- have actually increased during that particular period?

MR. McCORMICK: Well, I would say roughly that corporation taxes have not increased greatly over the last ten years. I have not the figures.





COMMISSIONER DRUMMOND: That is my impression.

MR. McCORMICK: I think sales taxes have gone -- in other words the taxes which the corporations collect have not greatly increased.

THE CHAIRMAN: We can get that information.

MR. McCORMICK: Yes. The rates have not increased, I know that.

COMMISSIONER WALTON: They still bulk in the final cost?

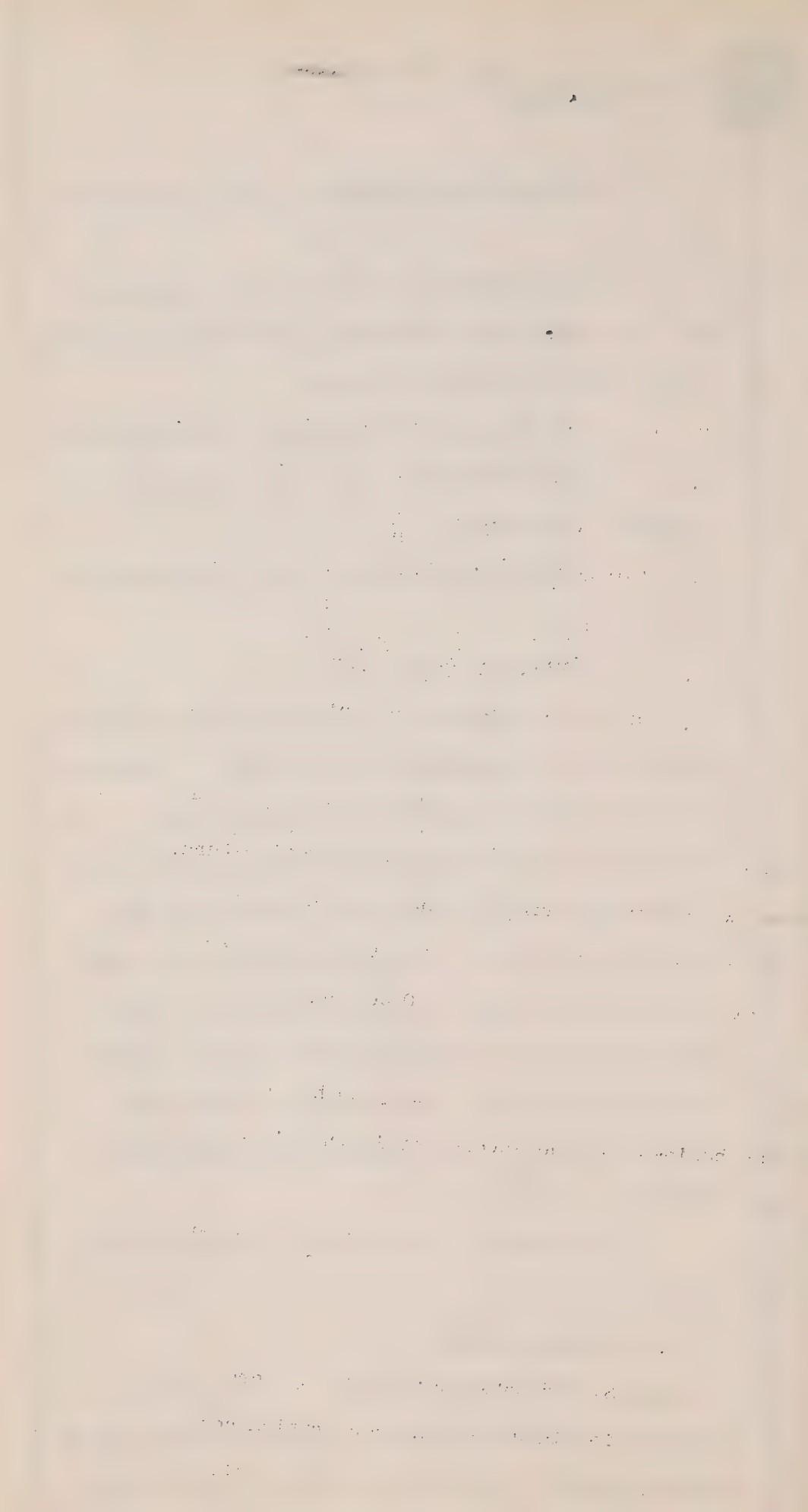
MR. NEAL: Yes.

MR. McCORMICK: One of the points is that all the costs of business have increased. Business has still to make a return to its shareholders. It has got to provide at least double that normal return. In other words what we have said here is that the Government has about a 50 per cent interest in every corporation in Canada and of the 50 per cent that is left only about, say less than half of that goes out to the actual owners. The rest is ploughed back into the business so the Government is the biggest extractor.

MR. NEAL: A 50 per cent interest in the profits.

MR. McCORMICK: Yes.

COMMISSIONER DRUMMOND: You say here corporation taxation increases the corporation cost of doing business. My feeling would be that would be





so but only if the corporation tax has increased.

MR. McCORMICK: Yes.

MR. NEAL: I think there is one point -- I do not have any figures but I know from my business municipal taxes have certainly increased terrifically in the last ten years. I know that, looking at the tax bills.

COMMISSIONER DRUMMOND: I have only one other point on page 4, in the second last paragraph:

"The average farmer's relative position  
"has deteriorated perhaps more as a re-  
"sult of fundamental changes in world  
"markets and methods of production than  
"as a result of any overall widening in  
"the spread of farm products."

That is a very important statement, particularly in the light of some of the briefs that we had yesterday. My question is this: you mean by this that the farmer's position, his present economical position, is due more to a drop in farm prices than to any increase which may have occurred in the cost of marketing?

MR. NEAL: I would answer that partially sir. Maybe Evan would have something to add. Firstly, the average farmer -- let us say the average farmer with a small piece of land -- his produce, if he is a grain farmer, has come down in price in basic world markets. Therefore his economic position, as a smaller farmer, has worsened. The trend is to





larger units to take up that slack because it takes more land and more investment to make the farm pay. I know that because I am partly a farmer.

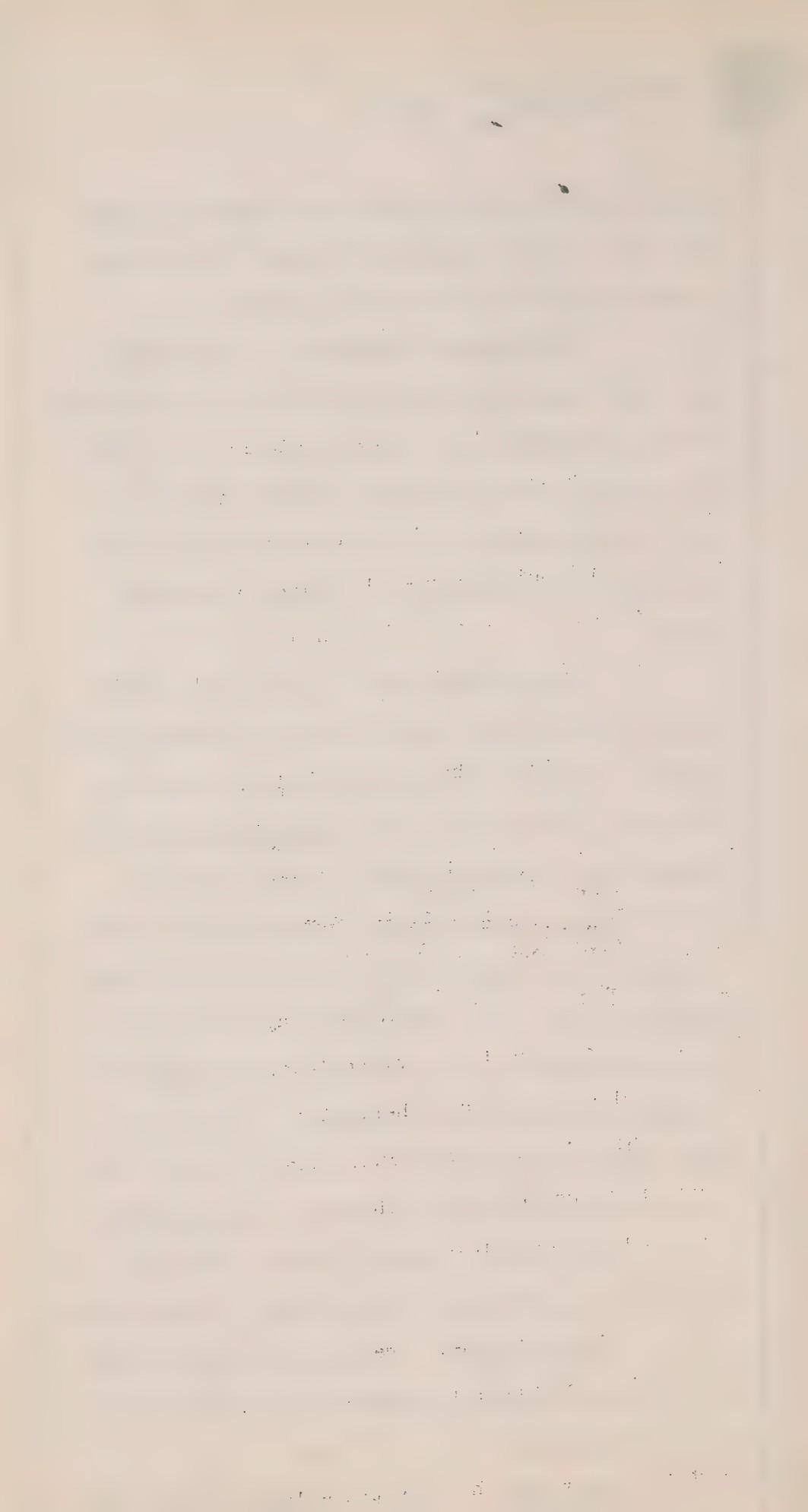
COMMISSIONER DRUMMOND: I think this is very, very important because after all we, as you know, are concentrating on the spread and if it is a fact, as you suggest here, that this adverse situation to many farmers today is due to factors other than the widening of the spread, it is a pretty important thing.

COMMISSIONER KIDD: I have one question. Again getting back to the first page, the competitive system. I gather from what you said that you believe there is competition between retailers of food products and the housewife who, by her selection, will help to regulate prices. What would you say to the situation where the housewife might go into, say, four stores, one right after the other, with prices identical and this situation was always the situation no matter where she dealt. Would you think she had much control over prices or would she even have an opportunity to exercise any selection?

MR. NEAL: I would say they were four sleepy store operators if they all had the same prices.

THE CHAIRMAN: Do you mean you can think of no products which are priced at the same price in all retail stores?

MR. NEAL: I do not do much shopping for





groceries but ---

COMMISSIONER KIDD: I get sent out by my wife every so often to do the shopping.

MR. McCORMICK: I do some grocery shopping. There is also a choice as between products; where we have fresh peas or fresh frozen peas or canned peas. We look at the prices. We may not have peas at all. You may have decided there is a special sale on squash or something else like that. Today every purchaser has a choice. Everything in the store is competing in the way of food products.

THE CHAIRMAN: I think the question Mr. Kidd was addressing to you was as to whether it is always the price choice, whether the price is one of the choices in every case.

MR. McCORMICK: No, not in every case.

MR. NEAL: I think ~~serve~~<sup>SERVICE</sup> is paramount, just as well. I may go to one retailer simply because, although his prices are exactly the same as his neighbour, I like to do business there where I get the service I want.

MR. McCORMICK: Speaking personally, I would say that from any family point of view the matter of meat purchase is a matter of the personality of a butcher. I mean I think that in chatting with a chain store zone manager here recently he said based on that a particular butcher did more to draw people into that store than perhaps any special sales that





they put on, or anything else.

COMMISSIONER KIDD: Do you really believe that the housewife has a choice of prices in the various products which go into the food basket week after week? There is variation from week to week, yes, but over the whole year the food basket is much the same. Do you think there is really much price choice from one outlet to another?

MR. McCORMICK: I think as between one outlet and the other, I do not know on any given day, you have to compare prices -- I do know there are weeks where we do not buy something because the price is up. A week or two later there is a special sale. You can watch it. I think there is some price opportunity. The trend, of course, for the past many years has been upward. There has not been much downward pressure. We may find over the next six or eight months that the downward pressure is a good deal stronger than it has been.

COMMISSIONER KIDD: You made quite a point about competition. I am trying to get at this point of whether or not competition of the nature that we have at the price level is actually competition or whether in fact it happens the way you say it happens when the housewife goes to buy groceries.

MR. NEAL: May I put it this way: if we do not believe there was free competition in prices between the stores one would not know where we would





get off at. If the stores had combines or if the store was made to combine on price minimums, we certainly would not know where we were getting off in our buying. We would not know what our prices would be. We have to believe there is competition there.

MR. McCORMICK: Mr. Chairman, there was evidence yesterday morning in the brief which dealt with beef products which took the three leading stores and showed that there was price competition on various cuts although the total intake per store arrived at about the same amount as naturally will happen because your costs are roughly relative. Their fixed costs are so much the same that you would not get any wide margin in prices but if you were not able to compete in service and other things and the balance sheets start showing up in red ink, then I think you are going to start looking at ways of cutting prices. The price competition will become real and earnest.

THE CHAIRMAN: I am not referring to the possibility of the fixing of prices or even agreement with respect to prices. Would you concede, let us say, that there is a reluctance to cut prices? Would that be a fair statement?

MR. McCORMICK: I think that is a fair statement but you must realize that there is a much greater similarity in costs as between one business and another than there used to be. We have unionized labour pretty well throughout so that every employer





pays roughly the same costs for his labour.

They buy the same machinery; they buy the same supplies; they pay the same taxes, so there is very little room for flexibility in the total of the consumer's dollar that stays with those people. There is very little room to make any price changes.

THE CHAIRMAN: We have heard a great deal about the inclusion of crockery along with food products. What is your explanation for this phenomena?

MR. NEAL: I would have to explain that as a consumer. I would say it is an attempt to make me think I am getting something extra for nothing, which, as a business man, I know just cannot be so for very long.

THE CHAIRMAN: This is an added cost?

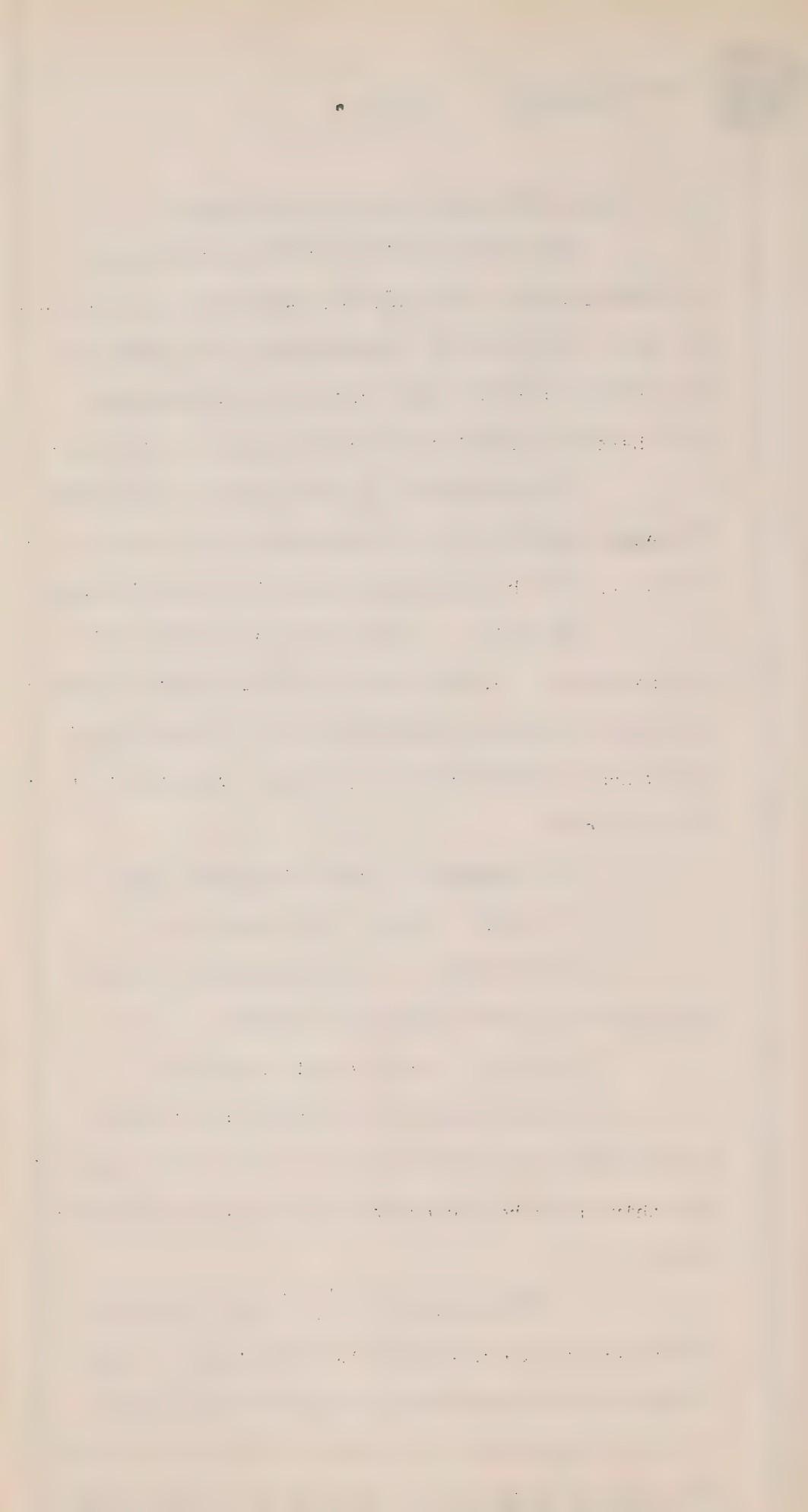
MR. NEAL: Quite. It must be.

THE CHAIRMAN: The alternative to putting in crockery would be to cut prices?

MR. NEAL: Yes, it would seem so.

THE CHAIRMAN: Would this be one case of the reluctance of people to cut prices which they think have become established in the minds of the consumers?

MR. NEAL: I have never been a party, as a manufacturer, to that type of thing, but if I had to study it -- I am engaged in manufacturing partly -- I would think if I cut my price of this item 2 per cent, that is going to make so much difference in my





competitive price over the year; am I going to get better sales that way than I am in effect giving the customer a per cent and a half with a piece of crockery?

I am not going to narrow my margin any more than I have to and still maintain my business.

Still, looking at the end result, if crockery does the trick, all right; if price does the trick, all right. It is the same thing. The customer is getting something extra for his money.

THE CHAIRMAN: I am going to repeat something which I said yesterday which I think is the background of the establishment of this Commission and the specific Terms of Reference that we have. The general price data indicates that from about 1947 through 1949 to 1951 all prices rose at about the same rate -- farm, wholesale and retail. Then prices broke in about the middle or towards the end of 1951 and they all turned down.

The prices of farm products fell relatively rapidly, wholesale next and retail next, so that increased the margin and spread which developed at that time.

Farm products continued to fall but after a year or so wholesale prices and retail prices began to stabilize. These are farm prices I am speaking about.

MR. NEAL: Quite.





THE CHAIRMAN: Then later farm prices levelled off but recently food prices at the retail level have been moving upwards. What may happen in the next few months is anybody's guess but this is the framework of the general relationship of prices with which we have to deal; and as Mr. Drummond has said, we are concerned mainly with the last ten years. We may look further back but on the whole that is the period with which we are mainly interested. It is a period in which the different relationships have developed between the movement of prices, and certainly since 1951 there has been an increase in the spread. That is what we feel.

On page 2, the first paragraph, you say:

"Augmenting the increased spread which  
"these factors have brought about is  
"the fact they have occurred in a period  
"of rapidly rising costs of materials,  
"labour, transportation, administration  
"and overhead."

I take it that out of material we would have to take the farm raw material because that is not so with them?

MR. NEAL: Yes.

THE CHAIRMAN: Now, the implication of this statement is that prices have risen because costs of these things have risen, but the parallel of that is that farm prices have gone down although costs have





increased; I think this is a fact. How does it happen costs in these other areas can determine price, but in the farm market costs can't determine price? Now, what is the implication of that?

MR. McCORMICK: Mr. Chairman, isn't the nature of production, the price of copper and lead, which are primary products, that they are under severe pressure, they are dropping? We have closed the Britannia Mine because the price that the primary producer gets works back to the price that the consumer is prepared to pay, in this case industry. In the case of most food products, isn't the price set at the retail level, and from that you extract your price and the farmer unfortunately from that gets what is left over? Isn't that the point? Suppose we take it the other way and say that farm products are going to be sold at a price which will give a decent return to the farmer, we would then get a price in the food stores which the consumer would resist, we would cut down and sales would drop off.

THE CHAIRMAN: I am not suggesting that alternative but ---

MR. McCORMICK: No, but the pressure is that way.

THE CHAIRMAN: Let's take your statement that the prices are set at that level. Say you start with the retail price -- mind you, I don't say this is always the case -- what you are saying is that





everybody down the aisle are taking out their costs and then it comes back to the primary producer. I still ask, what are the conditions which make this sort of thing possible?

MR. NEAL: I would like to answer that this way, Dr. Stewart. The primary producer's prices have come down practically everywhere, whether it is food or mineral. We will agree on that point. Now, it has come down because the final consumer won't pay more than that, there isn't the demand to equal the supply of that particular item. That doesn't mean that every producer of mines and minerals is on the rocks and has closed down his mine, and it doesn't mean that every primary producer of food is on the rocks; it means that the margin of profits, whether farmers or miners, is affected, and that is the one who is feeling the pinch.

I know from personal experience, and I am learning every day in farming, because that is my interest -- I plan to have a bigger farm, a bigger investment to have that farm stand on its own feet. It cannot be done on a quarter section as it could be done about twenty years ago, or even ten years ago, and I have to get an economic unit regardless of the price. I cannot depend on the consumer paying me more for my hog or grain; I have to find some way of producing more grain to give me more profit at the price he will pay me.





THE CHAIRMAN: I do not want to press the point any further. I think what you are doing is you are describing to me what happens, but what I am trying to do is to get behind what happens, to see why it happens in one way in one part of the economy and happens another way in another part of the economy.

MR. NEAL: I don't think you can fairly say it happens in one part of the economy and not in another. I think it happens everywhere. The whole agricultural industry is not on the rocks.

THE CHAIRMAN: We take it for granted that when dealing with the activities between primary producers and retail, cost determines price. We do not make that assumption when we deal in prices at the farm.

MR. McGORMICK: There is a part of it, that if the fellow in the middle doesn't get his cost out he goes bankrupt and he can't stay in business.

THE CHAIRMAN: I think that is all, and thank you very much, Mr. Neal, for your presentation.

MR. NEAL: Thank you, sir.

THE CHAIRMAN: We will recess for about five minutes.

---Short recess.





SUBMISSION OF  
THE PRAIRIE FISHERIES FEDERATION

THE CHAIRMAN: Come to order, please.

We will hear the submission by the Prairie Fisheries Federation. Mr. Bryant, you have Mr. Collins and Mr. Jonasson with you, I think. I see in your brief that you have given your own relationship to this organization and also refer to Mr. Jonasson and Mr. Collins and their relationship. I understand you propose to read the brief, and perhaps in the questioning you will bring in Mr. Jonasson and Mr. Collins.

MR. BRYANT: That is correct, sir.

THE CHAIRMAN: Your brief will be Exhibit No. 20.

---EXHIBIT NO. 20: Submission of The Prairie Fisheries Federation.

MR. BRYANT: I have been requested, in my capacity as Secretary-Treasurer of the Prairie Fisheries Federation, to appear before the members of the Commission and to read this submission on behalf of its members.

I am accompanied, also at the request of the members of this association, by Mr. G. F. Jonasson, the President of Keystone Fisheries Ltd., Mr. Van Every, an official of Independent Fish Co. Ltd., and Mr. T. B.





Collins, the Manager of a branch of Booth Fisheries Canadian Co. Ltd., all of Winnipeg, and all of whom have been actively engaged in the fishing industry for many years. Mr. Jonasson is here to represent the section of the industry which I shall refer to as "producers and processors of lake fish for the wholesale and export trade". Mr. Van Every is not present, and Mr. Collins is here to represent the section of the industry which I shall refer to as "importers and wholesalers of lake and ocean fish to the retail trade". They will do their best to answer any questions which the members of the Commission might wish to ask, pertaining to their respective sections of the industry.

The members of the Prairie Fisheries Federation are representatives of fish companies and dealers from the Provinces of Manitoba, Saskatchewan, Alberta and the Northwest Territories. The Federation was formed, in 1947, so as to enable the companies and dealers in this area to become members of the Fisheries Council of Canada, which is a national organization comprising seventeen regional associations. It was felt that, as a body, they would be able to deal with Government agencies, either directly, or through the Fisheries Council of Canada, more advantageously.

The fishing operations conducted in this area are of a seasonal nature, consisting, principally, of short seasons during the summer, fall and winter of each year. Fishing is controlled by Provincial





Government Regulation in the three provinces and by Federal Government regulation in the Northwest Territories.

The fish caught in these waters are all fresh water varieties, the principal species being, in this area, whitefish, pickerel, pike (jackfish), saugers and lake trout. They are marketed, filleted frozen, the fillets being packaged as individually frozen fillets, in bulk and in consumer 12-ounce, 1-pound, or 5-pound display packages.

The names and addresses of the members of this Federation are given in Appendix I.

Approximately, and probably in excess of, 95 per cent of the fish produced in our area is exported to the United States. Prices paid to the fishermen and realized by the exporters, particularly in so far as that proportion of the production marketed fresh is concerned, fluctuates greatly from time to time, influenced by the supply and demand of the American market, which is again influenced by the available supply from American waters, particularly the Great Lakes, and by the quantities available at given periods throughout the three prairie provinces and the Northwest Territories.

In other words, supply and demand governs the market, and checking our records no further back than the early part of this year, the variation in market value of identical species of fish was as much





as 100 per cent in one week. While there is also some fluctuation in the market value of frozen fish, it is never as great in the case of fresh fish, which must be sold from day to day, whereas frozen fish can be stored and is not so perishable. This applies to whitefish fillets, which we understand is one of the items which you are principally interested in studying. In the Province of Manitoba, in proportion to the overall production, whitefish fillets are a small item, and are only produced when markets are depressed and no ready sale for the whole fish exists, and in particular in remote areas where transportation costs, based on the market value are prohibitive. The whole fish are then cut into fillets and stored for orderly marketing when the market becomes available. This market consists, principally, of processors in the United States, who use the fillets for mixing with other varieties of fish in making fish balls, known as gefulda fish. A small proportion of the production is packaged in 1-pound and 5-pound display cartons and sold in the domestic market, but the whole operation in the Province of Manitoba can be termed as a low profit operation for the purpose of utilizing depressed products during low market periods.

Due to the fact that prices paid to fishermen, and selling prices, vary so much, so often and so rapidly it would be extremely difficult to present to the Commission facts which would remain true for any





reasonable period of any year. Because of this and also because the Prairies Fisheries Federation does not participate in determining prices paid to fishermen, or in the management of individual operations either as to prices or mark-ups, in the processing, sale or distribution of products, we are not able to submit in this brief detailed information as to profit margins and prices. We would suggest that the Commission might obtain such information, if it so desires, from individual members of the industry.

The object of this submission is to bring to the attention of the Commission, factors which have some bearing on the price spread between the primary producer and the consumer and which apply to the industry as a whole.

In assessing price spreads we would ask the Commission to take into consideration the following factors, which have been, or will be, mentioned in a submission from the Winnipeg Chamber of Commerce and which apply to our industry as well as to many others and which we thoroughly endorse.

1. We have been faced in recent years with increasing government regulation in relation to the handling, storage, grading and inspection of food products. These regulations call for additional handling and materials and investment in buildings and machinery. Our labour force, required to cope with the





additional handling, etc., has also increased, thereby increasing our costs. We are, even at the present time, faced with additional regulations concerning quality inspection and sanitary control of processing plants, which will be enforced, probably, within the next two years and which will involve the industry in extreme, heavy expenditure in plant and machinery. While we have no quarrel with these regulations, the consumer should realize that, in demanding better quality, with its consequent stricter government control, he or she is increasing the cost of preparing this food for sale. In the long run these additional costs must be passed on to the consumer.

2. Merchandisers find that there is a better sale for goods that are cleaner, better packaged and attractively displayed and which is as near ready to be cooked and eaten as possible. This contributes to the price spread and, naturally, the merchandiser, or retailer, is demanding goods prepared and packaged in this manner in order to increase his sales.

There are additional factors which apply in a more particular manner to our segment of the industry, and these are:

3. That, in a seasonal industry such as ours, our





plants are obliged to close down in between seasons. We must, however, retain certain members of our administrative and warehouse staff during these "closed" periods, and it is necessary that we endeavour to make sufficient profit during the normal fishing seasons to enable us to carry this expense.

4. If, as often happens, fishing proves to be poor, the fish companies feel a moral obligation to assist the fisherman, financially, in order that he and his family shall have sufficient funds to enable them to purchase food and clothing in between seasons. In many cases funds advanced, or given, to certain fishermen are far in excess of their anticipated earnings for the following season.
5. In very few cases do the fishermen in this area own their own boats and fishing gear. These have to be supplied and repaired at the fish companies' expense.
6. Cold storage charges, costs of packing and packaging materials, salaries and wages and freight costs have all increased within the past few years and these increases have added substantially to our costs.
7. In 1957 the Government introduced Unemployment Insurance for fishermen. In some sections of the country this has been of great benefit





to the fishermen and we have no quarrel with Unemployment Insurance as a principle. However, in our particular area, in many cases the fishermen are not fishing long enough to accumulate sufficient stamps to qualify for benefit.

Stamps still, however, have to be placed in their Unemployment Insurance books, by the fish companies, and this again has added to our costs and, at the same time, the companies have received little or no relief from the responsibility of assisting the fishermen financially during periods of unemployment.

The above are a few of the factors which have contributed to any widening of the price spread between the producer and the consumer over the past ten years. We would feel remiss, however, if we did not mention that the producers, that is the fishermen, have also received higher prices for their produce in this same period. They have been entitled to this increase, in our opinion, in order that they should maintain a standard of living comparable to wage earners in other industries. While this increase may not have added to the price spread, it has added to the cost to the consumer.

While this report may not give the Commission the facts which it is seeking, it is because we are somewhat confused as to exactly what the Commission wants from us, not because of our unwillingness to





co-operate in every possible way. If there is any further assistance which our Association or its members can render, we assure you of our sincere co-operation upon your request.

H. E. Bryant,  
Secretary-Treasurer

PRAIRIE FISHERIES FEDERATION  
c/o Winnipeg Cold Storage Bldg., Secretary's Private  
Salter St., and Jarvis Avenue,  
Winnipeg 4, Manitoba. Address:  
Tel: JUSTice 9-0432  
630 Academy Road,  
Winnipeg 9, Manitoba.  
Tel: 40-5175.

---

Appendix I

PRAIRIE FISHERIES FEDERATION  
MEMBERS

- |  |  |
|--|--|
| Mr. J. M. Davis,<br>British Columbia Packers Ltd<br>592 Sargent Avenue<br>Winnipeg 3, Manitoba   | Mr. H. Marder,<br>Manitoba Fisheries Ltd,<br>303 Owena Street,<br>Winnipeg 3, Manitoba                             |
| Mr. A. S. Barbour<br>Booth Fisheries Canadian<br>Company Ltd<br>2nd Floor Baldry Building,<br>235 Garry Street,<br>Winnipeg 1, Manitoba. | Mr. W. Schlader,<br>McInnes Products Corpora-<br>tion Limited<br>905 Northern Hardware Bldg.,<br>Edmonton, Alberta |
| Mr. T. B. Collins,<br>Booth Fisheries Canadian<br>Company Ltd.<br>(Winnipeg Fish Division)<br>Box 2152,<br>Winnipeg, Manitoba.           | Mr. S. Badner,<br>Mid-Central Fish Company,<br>430 King Street,<br>Winnipeg 4, Manitoba.                           |
| Mr. J. H. Page,<br>Canadian Fish Producers Ltd.<br>311 Chambers Street,<br>Winnipeg 3, Manitoba  | Mr. J. Maibach,<br>Northern Lakes Fisheries<br>Company Ltd.,<br>Martha & Logan,<br>Winnipeg 2, Manitoba.           |





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 974 -

Mr. Van Every,  
Independent Fish Co.Ltd.,  
941 Sherbrook Street,  
Winnipeg 2, Manitoba

Mr. D. F. Corney,  
General Manager,  
Saskatchewan Fish Marketing  
Service,  
Provincial Government Bldg.,  
Prince Albert, Saskatchewan

Mr. G. F. Jonasson,  
Keystone Fisheries Ltd.,  
60 Louise Street  
Winnipeg 2, Manitoba.

Mr. L. Bland,  
Selkirk Fisheries Ltd.,  
371 Logan Avenue,  
Winnipeg 2, Manitoba.

Mr. S. V. Sigurdson,  
Lake Winnipeg Fish Pro-  
ducers Association,  
Riverton, Manitoba.

Mr. M. Kucher,  
Kucher & Trefiak Limited,  
Hay River, Northwest  
Territories.

Mr. L. Waite,  
Waite Fisheries Limited,  
Big River, Saskatchewan.

#### ASSOCIATE MEMBERS

Mr. Roy Park,  
Park-Hannesson Limited,  
55 Arthur Street,  
Winnipeg 2, Manitoba.

Mr. R. Kelly,  
Manager,  
John Leckie Limited,  
183 James Avenue East,  
Winnipeg 2, Manitoba.

THE CHAIRMAN: Thank you very much, Mr. Bryant. With reference to your last paragraph we do appreciate that your organization, the Prairie Fisheries Federation, would present a brief to us. I think the suggestion made in your submission that information useful to the Commission might be obtained from your members is probably a correct one rather than from the Federation.

MR. BRYANT: Yes, sir.

THE CHAIRMAN: And later if we feel that we need more information we may be in touch with you or your members.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 975 -

MR. BRYANT: Yes, sir, we

THE CHAIRMAN: I would ask Mr. MacKichan if he will direct some questions to you.

COMMISSIONER MacKICHAN: We would appreciate if Mr. Jonasson would tell us something about the production that is carried on here. You are representing the producers and processors here -- if you just give us a picture.

MR. JONASSON: Mr. Chairman, Mrs. Walton, gentlemen of the Commission: what do you mean, Mr. MacKichan? How the fish is produced?

MR. MacKICHAN: Just what is the set-up? Do the companies own the boats?

MR. JONASSON: I think I know what you want. The set-up has been for many years in Manitoba that the fish companies, such as ours, we have been obliged to supply fishermen with the necessary tools, both in food and whatever they need to go fishing. They have not the resources to supply themselves, with few exceptions, and we have to rely on the producer and to give the producer sufficient to compensate us for this financing that we make to them, and it is in our interest to give them a price which will give them sufficient, and also decent living.

That has been very difficult lately because lack of production and being subject to market fluctuations from other areas. As has been





indicated in our brief there, our market is very subject to supply and demand, and in particular times when the Great Lakes, such as Lake Erie, when Lake Erie produces a lot of blues we have too many of them here, and as a matter of fact we have to put them in storage to be held for a later date, as a storage product.

COMMISSIONER MacKICHAN: Now your Association covers the three prairie provinces and the Northwest Territories. Would this sort of pattern apply over the other provinces?

MR. JONASSON: It would.

COMMISSIONER MacKICHAN: Pretty well?

MR. JONASSON: Yes.

COMMISSIONER MacKICHAN: After you have the production you go into the processing?

MR. JONASSON: Years back we did not process fillets. It is only in the last twenty-five years or so since we started processing fillets. In the earlier years it was necessary to sell the product as it was produced.

In order to stabilize the market, we went into the processing game so we competed, we sell fresh what the market will take fresh, and then we freeze the rest in different manners in the province and hold it over for an orderly market. By doing so we can realize a better price for the producer.

COMMISSIONER MacKICHAN: We will get back





to this matter of prices a little later on. What is the reason for the fact that the fishermen do not own gear, like we know it from on the West Coast and on the East Coast?

MR. JONASSON: The fact that they do not own the gear is because they have not had, with some exceptions, the necessary funds to buy it. Twine has been expensive. Boats are expensive, and the upkeep of them so the fish companies have been obliged to supply them.

They sell them the twine and pay for that out of production. They rent the boats to them. They couldn't afford to pay for them.

COMMISSIONER MacKICHAN: They buy the twine to repair gear?

MR. JONASSON: That is right.

COMMISSIONER MacKICHAN: Now probably this is not a fair question. I was wondering if the companies were renting the gear at such a lot rate, or just have such a low income ---

MR. JONASSON: The rental of the boats, Mr. MacKichan, are much below cost. You being associated with the fishing industry -- we rent them a \$5,000 boat for \$250 a season. We have to pull that boat out in the fall of the year, and store it out of the water, overhaul the engine, paint it, put it all in tip-top shape for them to take it out again. I will leave it to you.





COMMISSIONER MacKICHAN: What would be the average life of that boat?

MR. JONASSON: It all depends on the fishermen a lot, depends on the fishermen.

COMMISSIONER MacKICHAN: On the house-keeping?

MR. JONASSON: That is right. We have had them deteriorate in ten years. We sometimes go fifteen -- sixteen years.

COMMISSIONER MacKICHAN: Even the maximum is not long. Thank you.

Now, Mr. Collins, on this importing -- import and wholesales, what does importing consist of?

MR. COLLINS: The importing is of your sea foods, shrimp, lobster tails, all sea foods that we have produced in Canada.

COMMISSIONER MacKICHAN: Fish that are not caught in your area?

MR. COLLINS: Yes. Pickled herring, Norway, Sweden, stock fish, lake fish.

COMMISSIONER MacKICHAN: Any from Nova Scotia?

MR. COLLINS: And many carloads from Nova Scotia.

COMMISSIONER MacKICHAN: Thank you. Would this be a substantial volume of your business?

MR. COLLINS: Yes.

COMMISSIONER MacKICHAN: The imported fish?





MR. COLLINS: Yes, seafoods.

COMMISSIONER MacKICHAN: We hear a great deal of the very fine quality of beef that is out here. We agree with the people who produce it, just didn't realize fish was such a large item. These imports are not included in this 5 per cent volume that is consumed in the province?

MR. COLLINS: Oh, no.

COMMISSIONER MacKICHAN: Well then, as wholesalers, what is your function there, or what do you do?

MR. COLLINS: Well, we are a wholesaler, a branch of the Booth Fisheries, and we buy from all sources of producers, from the east and west coasts and from other countries, and we merely store it and sell it by salesmen and delivery trucks, strictly wholesale to the retail channels.

COMMISSIONER MacKICHAN: This would apply more to the imported fish than to the local production?

MR. COLLINS: More so to the imported fish than the local lake fish.

COMMISSIONER MacKICHAN: But the company that would export their fish, they would not be using your services in the export business?

MR. COLLINS: That is right.

COMMISSIONER MacKICHAN: Extensively?

MR. COLLINS: That is right.

COMMISSIONER MacKICHAN: We are interested





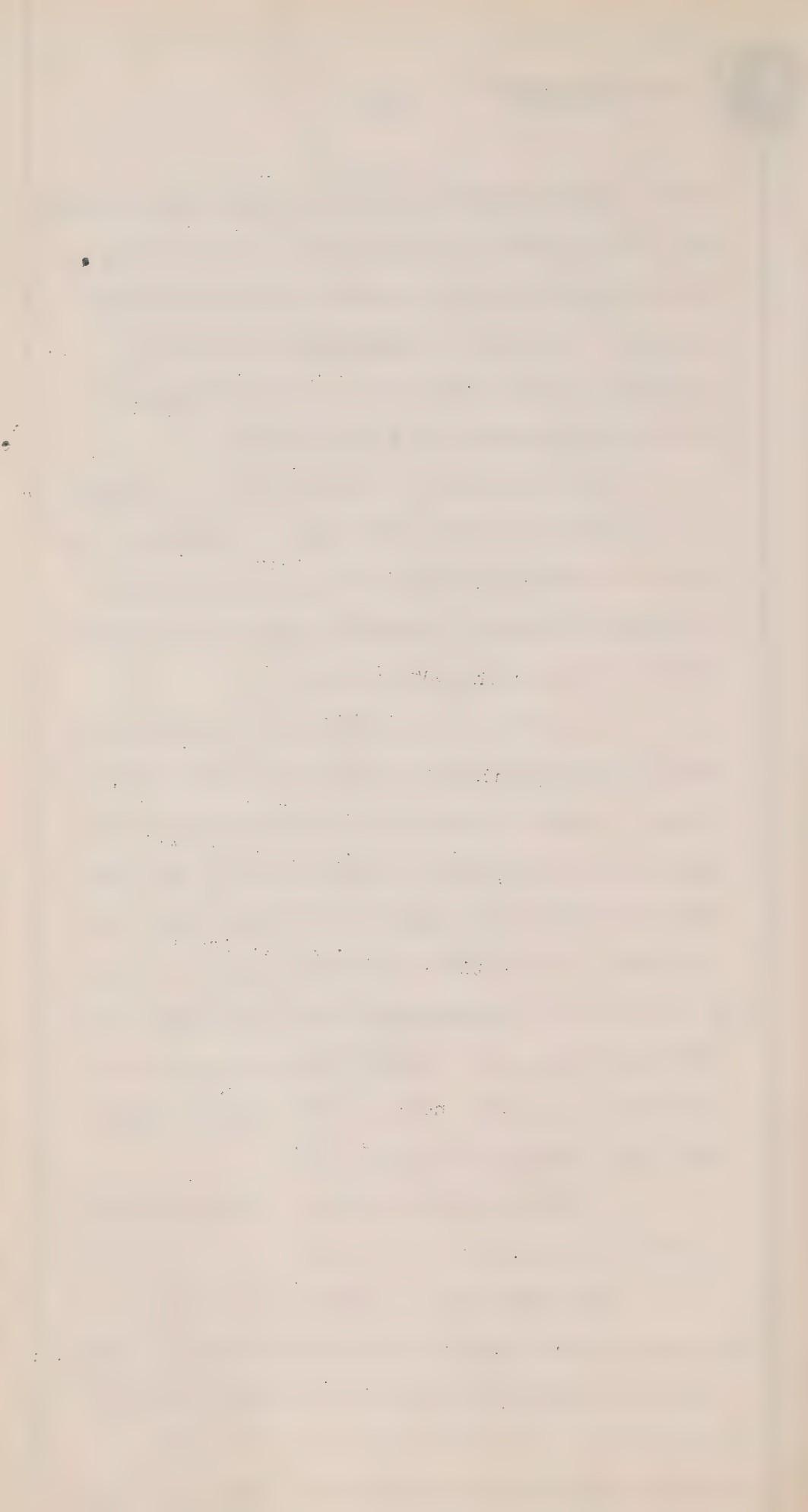
in this seasonal nature of the production which affects costs, and all this sort of thing. What is the governing factor in this seasonal -- in determining seasons? Is it due to availability of fish, or convenience of the fishermen, or market prices, or conservation measures, or a combination?

MR. JONASSON: I would say it is seasonal and conservation. The winter season commences after the ice is formed sufficient for the men to get on the lake, and then it carries on until approximately the 15th, the 1st or 15th of March.

It varies a little in different areas, and then the ice gets weaker and the Great Lakes start to produce. Markets here would drop if we were able to fish, so we are in direct competition with the Great Lakes production which gets pretty heavy down there at a time. Besides the ice is not safe so we close up on the 15th of March pretty well every where until after open water, and then she commences again until about the 1st of June, what we call a summer season, until about the first week of August.

COMMISSIONER MacKICHAN: The same species or different species?

MR. JONNASON: It depends on the area. In the case of the largest lake, Lake Winnipeg, in their season commencing on the 1st of June until the first week of August it permits us to fish the famous sulphur white in the northern part of the lake, and





some pickerel and saugers in the southern, so that carries on until about the first week of August and then that season finishes, and then we have it tied up until the first week of September, until the end of October, and at the end of October it starts out when the lake starts to freeze over and we have a closed season then until after the ice is firm.

COMMISSIONER MacKICHAN: That would be climatic conditions that would close it up, then?

MR. JONASSON: Yes. This varies between the different lakes. For instance, Lake Winnipeg has three seasons, summer, fall and winter. Lake Manitoba has one, just the winter season. Winnipegosis has two.

COMMISSIONER MacKICHAN:: The Fisheries Research Board is conducting an investigation on those lakes, for biological purposes. Do they recommend closed season for conservation purposes?

MR. JONASSON: I wouldn't say that I think that the seasons are controlled by the provincial government.

COMMISSIONER MacKICHAN: But generally these legislative bodies take on such things as biological conditions, take the recommendations and take advice from the Fisheries Research Board?

MR. JONASSON: I wouldn't want to pass any comments on where they take their advice from.

COMMISSIONER MacKICHAN: But the Federal





Government is spending substantial sums in the prairies on investigation?

MR. JONASSON: We know very little about it.

COMMISSIONER MacKICHAN: I notice Mr. Bryant is shaking his head, so I would agree with you.

MR. BRYANT: Perhaps I should have nodded it the other way.

COMMISSIONER MacKICHAN: The expenditure is substantial. I am not questioning the effectiveness of it.

MR. JONASSON: I think I am safe in saying that we have not been invited to listen to what they have been doing, as industry.

COMMISSIONER MacKICHAN: Well, that is really interesting to me. Now, while this Commission will find it difficult to investigate final price spreads of this 95 per cent of the production that is sold outside the country, probably we are still interested in it in so far as it affects returns to fishermen and the local price, what bearing it may have on it, and we are just wondering -- just before you say that -- whether we could use one particular species of fish that might be used as an illustration right through, and while we have taken whitefish fillets is that a fair product to work with, or whitefish generally?

MR. JONNASON: Mr. MacKichan, the whitefish fillets, while it is not an important matter





in our overall operation as operators, it may be a little too different to the local wholesaler. There is some whitefish sold locally and throughout the province, whitefish fillets and whole whitefish, but in dealing with that, would it be in order if I elaborate a little bit on it?

COMMISSIONER MacKICHAN: Yes.

MR. JONASSON: First of all I want to say this: I am sure that I speak for the industry in Manitoba, that we welcome this investigation. We think it is very timely and we hope that it will accomplish something to help the fishing industry. It needs help. The fishing industry in this province is a depressed industry at the present time and has been for some time.

Being a member of the Fisheries Council, Mr. MacKichan, you know what we have attempted to do there.

We have a budget there which we have been spending now for the last two or three years to popularize the sale and use of Canadian fish products. I feel our efforts are thwarted in some respects by high mark-up on fish products. Rather than to make it a high mark-up product it should be a low mark-up product because it is a good essential food product and to give the fishermen a break, give him more money in his pocket and he would have more to spend with the retail stores.





I was a little bit perturbed, I would say, when I read the press last night and saw statements made by government officials on this price spread. I felt that maybe it was meant as a joke. I do not take it as a joke. I take this as serious business -- that the fish companies are being used as a guinea pig or fall guy, if I may use a slang.

Price spread is not with the fish companies. It is elsewhere. I wish that the Commission would have their investigators come out and find out where it is and if possible to adjust it properly the way it should be.

I may be making a pretty broad statement but I am prepared to substantiate it.

In the release in the press last night -- of course, I take releases in the press, you know, as they come. Maybe there is some of them are right and some of them are a little bit coloured up. They have a tendency sometimes, these reporters, to give it a little colour. It says here: "Manitoba fishermen get from two to four cents a pound for Northern pike fillets, sold today in Winnipeg at 65 cents a pound."

Well, Northern pike fillets -- we sell Northern pike fillets. We have sold them from 19 to 20 cents a pound and we have not paid two or three cents for round fish but 5 cents for round fish.

Now, taking the price, the figures average at 3 cents a pound -- just enlighten the Commission





as to what it means -- taking 3 cents Northern pike and processing it into fillets and allowing nothing for administrative overhead, the fillet costs 19.85 a pound. Those are cost figures.

COMMISSIONER MacKICHAN: What would the yield be from fish to fillet?

MR. JONASSON: Thirty per cent provided every fish is firm and good quality. We are under strict government control on quality now. Every fish must be perfect in order to yield thirty per cent. If you are interested in the figures, how I arrive at that 18 I can give them to you -- 19. At the 3-cent price you get a product, 30 per cent, which costs you 10 per 100 pounds.

COMMISSIONER MacKICHAN: What fish is this?

MR. JONASSON: Great Northernpike. That is what was dealt with in the press.

Thirty pounds of fillets, material will cost you 10.03 per pound on the whole fish. The cutting of the fish costs you 5 cents a pound. Processing cost is 5 cents. Wiring, packaging and wrapping, 3/4¢. The inner wrap, the wrapper to wrap the fish in before it is put in the carton, 1/2¢. The 5-pound display carton to put on the show case, 2 cents a pound. The master carton to put the 5-pounder in and be shipped out to the customer, 60 cents. Freezing, cartage from our plant to the stores and then packaging the 5-pound into the master





at the stores, 5 cents. That gives you a cost of 19.85.

If you put that into a one-pound package, which most chain stores want so a woman can take a one-pound package and put it in her shopping bag and take home, add another 3 cents a pound.

We were selling this product this winter, or over the last 12 months for 19 to 20 cents a pound; that is for the 5-pound package, and the one-pound package was 24 and 25 cents a pound.

The retail store sells it for 65 cents a pound, according to the paper. There is somewhere an unnecessary spread there.

In the case of whitefish, whitefish fillets have been selling -- we sell whitefish fillets to the packing houses such as Swift, Burns, Canada Packers, Bert Collins and others. We have been selling in 5-pound packages at 30 cents a pound. A one-pound package was 35 or 36 a pound -- 35 cents a pound average.

I see in a local newspaper where they are advertised in the store at 95 cents a pound.

COMMISSIONER MacKICHAN: You take some objections to the two to four?

MR. JONASSON: I take objection to that because the newspaper says that the fish companies were paying the fishermen -- Manitoba fishermen -- from two to four cents a pound for Northempike fillets.

COMMISSIONER MacKICHAN: I was wondering---





MR. JONASSON: Sold this year in Winnipeg at 65 cents a pound. We do not buy fillets from the fishermen; we buy whole fish.

COMMISSIONER MacKICHAN: Would you take any objection to the "65"?

MR. JONASSON: Yes, that is too much retail, much too much.

COMMISSIONER MacKICHAN: I mean the accuracy of it?

MR. JONASSON: Not the accuracy of it. The 65 is correct, according to the advertisement in the newspaper.

Now, in whitefish we sell for 30 for a 5-pound package, 35 for a one-pound package. They are advertised in the newspaper at 95.

COMMISSIONER MacKICHAN: What has happened in between there outside of marking it up?

MR. JONASSON: What is between there? We sell it, say to Mr. Collins. We will use him because he is sitting here. We will sell it to Mr. Collins for 30 cents and he sells it to the store and they sell it for 95.

COMMISSIONER MacKICHAN: Do you deliver it to his place of business?

MR. JONASSON: Yes, I will deliver it to his place of business.

COMMISSIONER MacKICHAN: For 35 cents?

MR. JONASSON: Yes, I deliver it. What





happens from between the time I give it -- we don't -- my associations -- we don't reach the consumer. We only go halfway. I think I could sell more fish and have happier households if they could buy cheaper fish and better fish but when they got to pay 95 cents for fish that we only get 30 cents for, there is room for investigation.

COMMISSIONER MacKICHAN: Mr. Collins is not a retailer?

MR. JONASSON: Well, he is a wholesaler.

COMMISSIONER MacKICHAN: He is not a retailer?

MR. JONASSON: No.

COMMISSIONER MacKICHAN: There is another mark-up in there?

MR. JONASSON: That is right.

Now, I take exception to another paragraph in this newspaper. I do not know whether it was spoken or not. He says:

"Many fishermen believe that the only reason they are getting better prices this year is that the companies realize that they are under investigation by the Royal Commission."

I think that is a pretty broad statement for a government official to make.

COMMISSIONER MacKICHAN: Well, I must say, in all modesty, that the Commission questioned that





statement slightly.

MR. JONASSON: I called up a party in the Government yesterday and I told him I was going to ask for an investigation by their government into our operation to prove or disprove the statement.

COMMISSIONER MacKICHAN: We are conceding that the mark-up advanced.

MR. JONASSON: We were hoping by the time you people got through you would find out where the mark-up exists.

"Mr. Jonasson says there are bitter feelings between the fishermen and the fish companies because of the big spread in prices."

I may say this truthfully that is not true. I want to refute that statement. The fish companies offer a choice. Of course, they are the only source of credit that the fishermen has to enable them to carry on their vocation. They come to us for credit. Some of them make well, some don't.

The government that this gentleman represented, they won't give them any credit for licences. The company has to pay for their licences and take a chance they catch enough fish to pay for their licences.

Our Federal Government, they put up what you called a loan, a fisherman's loan. We suggested to our fishermen that now they could become independent





of us so they won't have to have us tied around their necks, they could go to the government and get their loan and then we will buy on the open market, which we would welcome.

They went to the banks. They were told the only conditions they could get these government loans set up by the Federal Government, if we would guarantee the loan, which came to the same point as when we gave it to them ourselves. Therefore the Federal Government loan was absolutely of no value to the fishermen because it had to have the same guarantee on it. If they didn't pay, I had to pay; so what is the odds?

I say that the relationship between the fishermen and the fish companies is good. I want to dispute that statement.

COMMISSIONER MACKICHAN: There is no fishermen's loan, direct loan as such, from the provincial government here?

MR. JONASSON: No.

COMMISSIONER MACKICHAN: Or any of the western provinces?

MR. JONASSON: No.

COMMISSIONER MACKICHAN: I might say that there is considerable variation in the interpretation of the Fishermen's Improvement Loan Act. A good deal of it depends on the attitude of the local banker.

MR. JONASSON: I want to emphasize, Mr.





MacKichan, if I may, that I hope that your investigators will come into Winnipeg and investigate the fishing industry thoroughly from the housewife down to the producer and I can assure you that they will have the one hundred per cent cooperation of my associates and myself.

COMMISSIONER MacKICHAN: Now, on page 3, speaking about this change in regulations we had, I think we feel in the industry that was brought about by the advertising of other food products such as meat products, that were slaughtered under the supervision of veterinarians and all the health foods, that's fish, to help itself to get a fair share of that market had to provide something along the same type of sanitary regulations, strict marketing and all that sort of thing.

You mentioned that you are not opposed to this but you feel it will increase costs, which is understandable. There are one or two lines in the middle of that paragraph 1 where you say it will involve the industry in extremely heavy expenditures in plant and machinery. Are those adjectives, like travelling in the war, necessary?

MR. BRYANT: I may have used the wrong word there, Mr. MacKichan, in this brief. I probably should have said heavy expenditure in plant and equipment rather than machinery.

COMMISSIONER MacKICHAN: Do you feel that





it is going to be as extreme as that?

MR. BRYANT: Yes. I can quote an example, for instance, of the plant at Winnipeg Cold Storage where they are using galvanized iron tables, and we have been using those for many years, but I understand that the Department of Fisheries will not accept galvanized iron tables in future, they have to be aluminum or stainless steel or some other approved material. Now, these tables -- I believe Mr. Collins has recently had to put in some, and they are between \$200 and \$300 each, just tables alone. Floors, for instance, I would say over there may not come up to government requirements, and it is possible we shall have to tear up the whole of the concrete floor to meet with those requirements.

All of the walls of the plant have to be treated in a special manner, they have to be waterproofed up to a height of four feet, and it is going to cost an awful lot of money.

COMMISSIONER MacKICHAN: Yes, cost will be involved. This matter was discussed with industry, wasn't it, while the regulations were being considered?

MR. BRYANT: Oh, yes.

COMMISSIONER MacKICHAN: Now, I am going over to page 4, and No. 7. Now, you mentioned this unemployment insurance and the cost to the industry and it is also involving that seasonal employment, fishermen will not accumulate stamps. But the minimum





required is fifteen, and probably having some experience this year they will be able to acquire more stamps during the fishing season. Every sale, if it is about \$9, merits a stamp. I realize that the benefit from a \$9 sale will be very small, but you will qualify -- these fishermen will qualify.

MR. BRYANT: Not necessarily, Mr. MacKichan. Some of our fishermen only fish in one season which can be of a duration of, say, ten weeks, less than that in some cases.

COMMISSIONER MacKICHAN: Yes, I can realize that. It is realized it is an unemployment scheme, not a relief measure.

MR. BRYANT: We have stated here we don't disagree with it as a principle, we are very much in favour of it. We just wish it benefited the fishermen in the industry here a little more. As it doesn't it has merely served to increase our costs, because half of the contribution has to be made by the companies.

MR. JONASSON: Where the fishing is sparse the contributions are fairly small.

MR. BRYANT: Yes.

MR. JONASSON: We sent Mr. Bryant and my assistant twice down to Ottawa to appear before the Commission, and our main point was that we would like to see the fisherman use the same type of stamps he uses in other industries, we don't want it segregated





from other industries. We have employees in our processing plant who are receiving fish or freighting fish on their boats, and they get an ordinary stamp, but the man who does the ordinary processing of fish gets a different stamp. Why pick out the fish industry for a particular stamp? That is what we don't like.

COMMISSIONER MacKICHAN: I am afraid I have to travel with my colleagues in this investigation. If I wander too far away we will be having some disagreement. But we must realize that we are the only self-employed insured body there is in the country, the fishermen, and for a number of years the Unemployment Insurance Commission said it couldn't be done.

MR. JONASSON: Well, our fishermen would benefit much better if they could have an ordinary stamp

COMMISSIONER MacKICHAN: Well, of course, it is revolving around seasonal work.

MR. JONASSON: Yes.

MR. BRYANT: The fisherman, if he is employed in the industry for any length of time, cannot use up a stamp, he must use a fisherman's stamp, and unless he is a year-round employee he cannot qualify for anything other than seasonal benefits. Sometimes the season in which he has qualified is one of our busiest seasons, and when there is unemployment, he is a fisherman and he cannot get unemployment benefits.





wanted to sell at top price and process the balance, that is orderly marketing. If we could only sell 75 per cent at a price and we put the other 25 per cent on the market, it would be too many.

COMMISSIONER DRUMMOND: By stabilizing the market, you mean by that that following this general practice you get a higher price?

MR. JONASSON: Yes.

COMMISSIONER DRUMMOND: I think you mentioned that in your opinion the mark-up was a consideration. I think you meant after the product left you?

MR. JONASSON: Somewhere along the line it was too high, and I would like the Commission to find out where it is.

COMMISSIONER DRUMMOND: I wonder if you could express an opinion on how much the retail price may be influenced by the retail prices of what we might call the primary products?

MR. JONASSON: I don't think it is influenced too much by that. People like to change their diet, they like fish, and when they come in and see whitefish at 95 cents a pound they will buy codfish. We like to have our local product priced within reason so that the consumer will enjoy it and it will become more popular with them.

COMMISSIONER DRUMMOND: If your product at the retail end does sell, as it certainly does, in





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 997 -

competition with these other products, such as meat and so forth, would not the price that was being asked for these products be an important point in determining the price?

MR. JONASSON: Yes, it has an influence on the price.

COMMISSIONER DRUMMOND: We have been told in our inquiry that actually in some instances the prices of food products were higher near the point of origin than long distances away from that place.

MR. JONASSON: I wouldn't dispute that.

COMMISSIONER DRUMMOND: Any explanation why?

MR. JONASSON: I think it might exist right in Winnipeg.

COMMISSIONER DRUMMOND: Thank you. That is all, Mr. Chairman.

COMMISSIONER KIDD: Yesterday we had supplied to us a statement of production value to fishermen. Value as marketed. Number of Fishermen and capital invested, and I notice from those figures - I just wondered if you would comment on this point -- that out of the market value of \$416 per fisherman in 1936, the fisherman got 80 per cent of that, but out of the market value of \$1000 per fisherman in 1956, the fisherman got about 50 per cent.

You talk about increased cost, in your submission, about increased costs. Would you say that





your costs have accounted for that part of the spread as between market value and what the fisherman got?

MR. JONASSON: No, I wouldn't say that, yes or no. I wouldn't say that. I am sure that your Commission will understand that these figures are not authentic. That is not the fault of the Government, but they are not kept accurately, more or less guessed at by the fish company. They want a statistical report, how many pounds of fish, and they estimate it. It is always estimated.

That has been the practice for years. If you are going to get a day-to-day method to give an exact figure, it would be an insurmountable job.

COMMISSIONER KIDD: So that you do not think we could place much value on those figures?

MR. JONASSON: They are fairly recent, but they can vary a little bit. There could be some justification in what you say.

COMMISSIONER KIDD: You see, this shows an increase in the market value in a twenty-year period of 140 per cent, the increase in the return to the fisherman of 64 per cent. I was wondering if you could account for any of that difference?

MR. JONASSON: I would not be able to account for it.

COMMISSIONER KIDD: That is all.

THE CHAIRMAN: Coming back to the reference in the brief, Mr. Bryant, our use of whitefish fillets,





we have had to make some decision as to what commodities we would concentrate on and carry through our studies. I think there are more farm products than we could possibly handle, and when we come to the consumer level there are a great many more than we could possibly look at, so we have had to make some selection, and we have selected 17 farm products and 6 fishery products. Now our basis of selection here was in terms of the relative importance of the commodity and consumer expenditure.

From the value data this was a live item; then we took out, had to leave off the relatively small items. There is an implied criticism of this selection of whitefish fillets, and I gather that most of the whitefish is sold in the round, not as fillets? That is correct?

MR. BRYANT: That is true. Then they are dressed, in the whole, anyway.

THE CHAIRMAN: That is the trouble, if I start in the technical language of the fishery business I would be wrong. I am sure about the 95 per cent you say is exported. Would this be true of whitefish?

MR. JONASSON: I would say so.

THE CHAIRMAN: And most of that export is the whole fish?

MR. JONASSON: Fresh and frozen.

THE CHAIRMAN: On the domestic market mostly





the whole fish?

MR. COLLINS: Mostly fillets on the domestic market.

THE CHAIRMAN: I think probably that is significant to us. We are concerned with spread in Canada and if the whitefish fillet is the main product which is sold on the domestic market, then perhaps we will stay with that. Do you know, Mr. Jonasson, whether most of the whitefish sold as whole fish are ultimately filleted in the United States?

MR. JONASSON: No, they are not, Mr. Chairman. I think that your taking whitefish for investigation here in our country, because you cannot go beyond the boundary anyway, I think is just as good as anything you could have selected.

THE CHAIRMAN: I see, that is encouraging.

MR. JONASSON: I have no criticism of your selection. I think you have made a good choice. No, they are not. They are sold in the United States. In the case of silver whitefish they are almost entirely sold to the smoke fish trade, and smoked. A lot of the other fish is also smoked in the middle western states where they will not run as high, will not pay the high price that they will pay for silver in New York. Cleveland, Pittsburgh, Chicago, Minneapolis to Wisconsin, they smoke the other whitefish, and they are sold in the home, in the restaurant





and hotel. They are cleaned, scaled, and sold to the hotel and restaurant trade, and then it is sold to the consumer. A lot of the whitefish is sold in the fresh stage, and they are sold to the consumer fresh.

THE CHAIRMAN: Is the whitefish caught in the States?

MR. JONASSON: Yes.

THE CHAIRMAN: They have their own supply sources?

MR. JONASSON: But not sufficient.

THE CHAIRMAN: But they do have their own supply. What I am coming back to is your reference to demand-supply determining price, and the fact that you may have 100 per cent spread in the price in one week. That is because of changes in the supply condition in the United States as well as supply condition here?

MR. JONASSON: In the particular instance, Mr. Chairman, that we refer to here it happened because Alberta and Saskatchewan all of a sudden opened up some locations there and came in with so many fish which was much more than the market could possibly consume and dropped the market to them and to us, and the dealers that we had been selling to they were under contract with Alberta, Saskatchewan, and determined a fixed price. While they were on the contract, they dropped us like a hot potato as soon





as all these cars came in from the west, much more than they expected, and they can't buy from us so we have to fillet them.

THE CHAIRMAN: This would be rather an extreme illustration?

MR. JONASSON: It happens I think more often than I like to think of.

THE CHAIRMAN: One hundred per cent?

MR. JONASSON: Yes. We sold fish here on the 17th of March at  $17\frac{1}{2}$  cents and 18 cents -- no, we paid that for them, and some of those fish we filleted and they netted us 11 and 12 cents a pound when we processed them into fillets. We took a loss. The reason we paid more than we realized was because of the fact that the fishermen, they would be downhearted, and while we will make it up the next time, on the next shipment, on the 23rd of March we paid them 35 cents a pound and we made a handsome profit to balance for the loss of the other one, so on the two days they came out, but if we had actually paid the fishermen 11 cents they would have been so discouraged they would have pulled out. We knew our day was coming a little later. On the 23rd we sold them at 35 cents. Now this is the fish business.

THE CHAIRMAN: Sounds like a precarious occupation?

MR. JONASSON: It is that.





THE CHAIRMAN: Thank you very much. It has helped us, I think, to get a view of the fisheries business here. We appreciate very much having your submission.

MR. JONASSON: And these figures which we have given you we are prepared to substantiate to any of your investigators who come to see us, which I hope they will.

COMMISSIONER WALTON: Did the retail price fluctuate within that period?

MR. JONASSON: What are you going to do with the mark-up when you find it exists? Are you regulating some law which prohibits it?

THE CHAIRMAN: Give us about eighteen months and we may have an answer.

MR. JONASSON: No use talking about it unless you do something about it.

MR. COLLINS: Prices are usually very stable in Winnipeg, ninety-five per cent of the time. Something happens now and again.

COMMISSIONER WALTON: More on the fresh fish than the processed fish?

MR. COLLINS: I think maybe you can check all around town and see where chains and all independent people and wholesalers are selling at a quite reasonable normal mark-up to the deep freeze. They are all approximately the same, so when you hear of somebody making 300 per cent it doesn't often happen.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1004 -

THE CHAIRMAN: We will adjourn until  
two o'clock this afternoon.

---Whereupon the Commission adjourned until  
2.00 p.m.

---





ANGUS, STONEHOUSE & CO. LTD. - 1005 -  
TORONTO, ONTARIO

---On resuming at 2.00 p.m.

---

SUBMISSION OF  
THE VEGETABLE GROWERS ASSOCIATION  
OF MANITOBA

THE CHAIRMAN: If you will come to order we will hear the brief on behalf of The Vegetable Growers Association of Manitoba to be presented by Mr. Crocker, a director of the Manitoba Vegetable Growers Association.

You have with you, Mr. Crocker?

MR. CROCKER: With me two other directors of the Association, both vegetable growers. Mr. Don Brown immediately to my right, and Mr. William Daman, both directors of our Association.

THE CHAIRMAN: Thank you very much. They may take part in the discussion if they wish to do so.

MR. CROCKER: Thank you, Mr. Chairman.

Mr. Chairman, madam and gentlemen: before presenting the brief I would just like to point out that we have had some difficulty in deciding just what aspects to cover since we are not quite sure how broad your Terms of Reference are and we noticed from newspaper reports and also from the hearings here that some of the matters brought up are going





too far afield. We hope you will forgive us if we do the same ourselves as well.

We have not tried to go on a witch hunt or to fix the blame for any of the price spreads that do exist, if they are too high.

We would just like to draw your attention to several matters that we feel are pertinent to the inquiry.

---EXHIBIT NO. 21: Submission of The Vegetable Growers Association of Manitoba.

MR. CROCKER: Mr. Chairman and gentlemen: the vegetable growers of this province are greatly concerned about their declining share in the consumer's dollar. Our organization feels that any study of price spreads of vegetable and other farm products is its legitimate concern. This brief will not deal with definite statistical data, but rather inquire into some of the causes of this spread and make recommendations that, in the opinion of our organization, would help to stabilize the vegetable industry and work towards a reduction of these price spreads.

The primary producers of vegetable and potato crops lack bargaining powers. In contrast to this the labour unions with their closed shops, their power to strike when it hurts the employer most, their feather-bedding, are in a much favoured position. In the manufacturing and distribution fields this bargaining





power is protected by adequate tariffs and trade association practices. It is only the primary producer of agricultural products who is supposed to sell on a free market. If automobiles do not sell, the price is not reduced, the manufacturer simply lays off his men (who then get unemployment benefits which many farmers would be happy to get as a full wage) and sits and waits for developments, which has happened recently with a reduction in excise taxes. Producers are tired of the smug hypocrisy of people who are themselves sitting securely under the protection of labour laws, prohibitive tariffs and trade association agreements that are actually combines, and then raise a hue and cry against the primary producer who is supposed to be fleecing the public.

I would like to interject we do not object to these things if the public are content and the government decided that these things are necessary. It is just we feel we should get our fair share of bargaining power.

The primary producer is working in a field of fixed costs. Transportation costs on fertilizers, chemicals and other items required in the production field are fixed. The cost of equipment has fully kept pace with the general rise in prices over the past years. The containers that the primary producer requires are at a high price level due to the high tariff protection enjoyed by the container





industry. This tariff does not apply to the containers in which produce is imported. This disadvantage is especially great in potatoes where the cost of the container (polyethelene bag) is sometimes as high as the price paid to the producer for the potatoes in the container. Labour costs are rising and represent a relatively high proportion of a producer's total returns. Most other contributing costs do have recognition of a fair return on capital and fair compensation for services rendered. This recognition has been reflected in constantly rising prices for these services. No matter how efficient the primary producer of agricultural products is, there is no way in which he can combat these fixed costs.

Our Association recognizes that the wholesaler has many fixed costs comparable to those of the primary producer. All middlemen have to protect themselves against losses incurred through poor initial grades and deterioration, and thus force a wider margin of price spreads. The speculative elements within the industry, both producer and middlemen, that exist on the outer fringes of respectability and thrive on disorganization of grades and of producers and they bring pressures to bear, wherever possible, to maintain and perpetuate chaos. Without the unscrupulous middlemen the unscrupulous farmers could not exist.

We feel that the level of mark-ups taken by the retailer on prepackaged fruits and vegetables





may still be a carry-over from the bulk-bin era when the retailer had to absorb all losses due to grade defects, weight losses and deterioration. Under present merchandising methods and trade practices the wholesaler and often the producer takes responsibility for the packaged goods and absorb the loss regardless of the time element involved, or regardless of reasons for deterioration, thus minimizing the risk to retailer and putting his operation on the basis of service only. We would, therefore, suggest that mark-ups at retail level should be on unit rather than on a percentage basis. This would help to reduce or eliminate the high pressure promotional campaigns for imported produce which are a detriment to local grown produce.

Our Association would like to submit the following recommendations which, in our opinion, would help to minimize the price spreads and to bring stability to a much harassed industry.

1. Complete, fully enforced grade inspection at producer level should be instituted. This should be supplemented by retail inspection which is designed to cover condition rather than grade defects. We completely reject the theory recently advanced by the Federal Inspection Department at policy level that retail inspection may be substituted for adequate and complete inspection at producer and wholesale levels. We feel very strongly that a backward step was taken when emphasis was shifted to retail inspection. A





poor initial grade at the primary or producer level will cause losses compounded many times before the produce actually gets to the consumer. Inspection at the primary level will cause losses compounded many times before the produce actually gets to the consumer. Inspection at the primary level will prevent such produce from getting into the channels of the trade. High and consistent grade standards, when enforced at the producer, wholesale and shipping point levels, will help to stabilize prices and to minimize the risk to all the middlemen that are involved. When you minimize this risk you move towards a reduction of price spreads.

2. Orderly marketing of primary agricultural products through producer marketing boards should be encouraged and supported. Much costly duplication of services in processing and packaging of vegetable produce is presently performed in a rather primitive manner by a host of small and often inefficient operators. This duplication of services would be minimized if produce passed through a marketing board and a more scientific, efficient and less costly process would be the result. This would permit a reduction in costs and be a big step forward in reducing price spreads. Where marketing boards have functioned efficiently the experience has been a reduction in the price spreads, higher returns and a stabilized market for the producer and a higher quality, reasonably





priced products to satisfy the consumer.

3. Grower organizations require more storages with better temperature and humidity controls to permit a regulated flow of quality produce to the market. We recognize the fact that the Federal Government has legislation on its books which, with the cooperation of Provincial Governments concerned, could provide adequate assistance in this direction. The problem is that certain provinces that do have legislation on the books that permit this cooperation have definite advantages over provinces that have not.

4. The Market Information Service seems to be almost completely preoccupied with wholesale price levels. We feel that a more adequate service would be performed if the information could be expanded to include producer and retail levels as well. This would help to bring price spreads into line. The time lag in dissemination of information presently distributed removes much of the value of this information. This time lag could be reduced by using mimeographed sheets instead of the printed form. The loss of aesthetic appeal would be more than compensated for by the economic advantages gained. The use of the radio for the dissemination of this complete information could be invaluable, especially on a rapidly changing market.

5. Another matter that we believe pertinent to this inquiry has to do with the dumping of





foreign surpluses on to our markets at unreasonably low prices in years of overproduction. While such depressed prices undoubtedly do give the consumers a "bargain" at the time, such bargains are very temporary and very short lived. They also have a delayed effect in that domestic producers of these vegetables incur such losses and such discouragement that their plantings are greatly reduced the following season and the market is dependent in such seasons on imported produce. When such dependence also coincides with a season of poor crops in the United States tremendously high prices on Canadian markets are the result. The blame for such prices is placed by the uninformed on the Canadian producer, whereas he actually receives a very low portion of these advantages; that is, the advantages of high prices.

Tariff protection against dumping of surpluses would mean a much greater degree of stability to Canadian production and would, we feel certain, result in a long term reduction of costs to the consumer and a reasonable level of returns to the Canadian producer rather than the present feast and famine with famine predominating. This stability of local production would certainly help to stabilize the markets and would make use of marketing facilities and processing facilities for local produce over a longer period of the year, thus spreading the overhead of expensive facilities over many more units, and reduce the price





spread necessary to cover such costs.

In closing, the Vegetable Growers Association of Manitoba sincerely believes that if the recommendations suggested in this brief were accepted and implemented, that price spreads could be minimized, that fair returns would accrue to the producer and all middlemen and that the consumer would benefit in receiving a consistently graded quality product at reasonable cost.

Respectfully submitted on behalf of the Vegetable Growers Association of Manitoba.

THE CHAIRMAN: Thank you, Mr. Krocke. Might I ask you to give us a little information about your organization. Can you tell us of its membership?

MR. KROCKER: We are a grass roots organization of vegetable growers in this province. We represent approximately 50 per cent of the growers who make a living from vegetable growing. We do not have any paid personnel. We do not have the facilities for gathering statistical data on our own and our brief leaves much to be desired in the typing, as you will have noticed. We apologize for this. We hope it will not detract from your consideration.

THE CHAIRMAN: How widely are your members scattered over the province?

MR. KROCKER: The heaviest concentration is in the Winnipeg area which is where the heaviest concentration of vegetable growing is located but we





ANGUS, STONEHOUSE & CO. LTD. 1014 -  
TORONTO, ONTARIO

also have members throughout the province wherever vegetable growing is carried on.

THE CHAIRMAN: I would like to ask Mr. Martin if he will direct a few questions to you.

COMMISSIONER MARTIN: Well, I hope that you will not find my questions unfair if I put some of them to you from a strict consumer point of view; just to help you, maybe put some more emphasis on the argument you put in your brief.

First of all in the very first line of your brief you say:

"The vegetable growers of this province  
"are greatly concerned about their de-  
"clining share in the consumer's dollar."

As a consumer, I would like to ask you if you think there is any individual or group of individuals that might have a right to get back a definite amount of my personal income?

MR. KROCKER: No, we do not feel that way about it. We feel a concern about it. We are not prepared to place any blame for it. We do not know whether there is any blame to be attached anywhere. It is just that we would like to get a greater share of it ourselves. We do not want to harp on the actual prices that are received by the primary producer. We felt that was outside your Terms of Reference but we did not want to dwell on that aspect.

As producers of a very highly perishable





product in most instances we are in a very vulnerable position as far as the marketing of our product is concerned.

The over-supply that will occur very quickly and unexpectedly during the production season brings down prices rapidly.

In many instances -- in many cases this over-supply is not an actual over-supply. In many cases it is a temporary situation. In many cases it is a psychological manifestation. It is a fear, with a small drop in prices, a load or two of crops onto the market that has not a home, and the growers as a whole panic and prices come down very rapidly.

These are all things that we do not know whether they are within your realm of inquiry or not.

COMMISSIONER MARTIN: I told you before that I will try to ask some questions from a very selfish, perhaps I should say, consumer's point of view. As you probably know, as consumers we are mostly city people, and I would like to ask you if you think in those years if we can spend as large an amount of our income on food only, because in the briefs coming from farmers' groups we are very often referring to the share of the consumer's dollar that goes back to the farmer. I am asking that question: Do you think that, say, in 1958 as a city person I have the possibility to spend the same percentage of my income as I had ten or fifteen years





before?

MR. KROCKER: I can't answer that question directly, but we believe that consumers as a group are not highly concerned about getting the greatest value for their dollar, and what has happened in the fruit and vegetable industry is one which I think illustrates the trend very clearly. To just use the lowly potato as an example, a consumer has a choice of purchasing a 75-pound jute bag of potatoes in the retail store and putting it in the trunk of his car and taking it home, and there he has the lowest cost per pound of potatoes of anything he can buy in the retail store. Then there are 25-pound kraft bags which are also good value, and the cost of the package is not great in relation to the cost of the merchandise in that bag. Then there is a 10-pound kraft which is also good value, the bag doesn't cost a great deal, and it is a low cost item.

There is a 25-pound plastic bag where the bag is quite an appreciable cost of the package, and there is a 10-pound and a 5-pound plastic bag, and in the 5-pound plastic bag he is paying a very large percentage of the total outlay for the plastic bag and the cost of packaging potatoes into a five-pound bag. It costs just as much to package in a 5-pound bag as a 25-pound bag.

The trend has been very definitely to the five and ten-pound plastic bags which are the most





expensive form of merchandising this product.

If the consumer was really concerned about getting value for his dollar he would purchase the cheaper forms of these packages. When we have producers speak of consumer demand, we don't speak of it in the sense that the consumer insists on having a certain package and if he can't get it, then he won't buy that product. I would rather look at it in the sense that where there is a choice of different types of packages and different types of merchandising, if the purchasing trend is towards the higher cost package, then I think we can logically say that is consumer demand, and the consumer demand has been consistently going towards the higher priced type of package.

COMMISSIONER MARTIN: You think that influences the spread?

MR. KROCKER: It definitely influences the spread between the producer and the consumer. It still widens the gap between the producer and the consumer.

COMMISSIONER MARTIN: Now, you say in the second paragraph that it is only the primary producer of agricultural products who is supposed to sell on a free market. Is it your feeling that the farmers are the only group that are marketing their products according to the old rule of supply and demand?

MR. KROCKER: Not all farmers' products





are sold by the rules of supply and demand, but, generally speaking, I think it is the only type of product where there is a great public outcry against control of prices. In many other manufactured products and services, even if we don't see those controls, they are there. They are in their trade association practices, in their pricing formula, and in the government regulations which permit them to -- I don't know whether I can exactly say it creates a monopoly, but it certainly is an artificial interference with the free play of supply and demand.

Just to use one example in everyday life here in Winnipeg, the number of taxi cabs that are allowed to operate in Winnipeg are strictly limited. No new operator of taxicabs, as far as I know, can enter the market as long as the fixed number of taxicabs operating in Winnipeg has been filled; they say four hundred is the maximum number that can make a living at it in Winnipeg.

In the licensing field public service licences are not issued unless he can show that he is not jeopardizing the operation of other public service vehicles and these are just several examples of the type of restriction that helps other industries, against which no outcry is made.

COMMISSIONER MARTIN: Now, you say that in the manufacturing and distribution fields the bargaining power is protected by adequate tariffs and





trade association practices. Is it your feeling that farmers in general and vegetable growers in particular have no protection at all or no protection equal to the one enjoyed by manufacturing and distributing enterprises or by workers, as you say?

MR. KROCKER: No, we don't feel that we have. The fluctuations in production and the rapidly changing situation that results from the perishability of their products leaves them in a very vulnerable position. Vegetable prices may fluctuate one hundred per cent from one day to the next. They compete against each other, and, as I said, the psychological processes that are involved drive down the prices much further than they need once there is panic.

COMMISSIONER MARTIN: If the farmers are competing against each other every day, do you think it is something that concerns so much the consumer? Don't you think that is a matter which should be under the farmers' control themselves? Don't you think they should be, well, better organized in some way?

MR. KROCKER: They should be, yes, and whenever they try to do that then the consumers put on a great deal of pressure to keep them from organizing.

COMMISSIONER MARTIN: Do you say that from the consumers' part the farmers are under





pressure to get unorganized? Is that what you said?

MR. KROCKER: I said whenever they do try to get organized the consumers put them under pressure to keep them from being organized.

MR. —  
COMMISSIONER MARTIN: Isn't it true that at least there are some seasonal tariffs applied to vegetables and do those tariffs apply in your province here?

MR. KROCKER: Yes, they do.

COMMISSIONER MARTIN: And do you think it isn't enough?

MR. KROCKER: They are not. At any rate, the Tariff Board reviewed the situation with respect to fruits and vegetables and they have made quite a number of recommendations for increase in tariffs, but these have not been implemented, and quite aside from this increase which they have recommended, as we mention toward the end of our brief, we think that the surplus American product that comes into our country at ridiculously low prices frequently should be cleared through dumping duties.

Seasonal tariffs cannot possibly help to keep out products that are sold at a fraction of production costs, such as frequently come on our market from the United States.

COMMISSIONER MARTIN: On page 2 of your brief you refer to what you call the middleman, and while you say before that that the primary producer is





working in a field of fixed costs. Now do you feel that the middleman, as we might call him, has better opportunity for protection than the producer might have?

MR. KROCKER: They are not quite as disorganized as we are.

COMMISSIONER MARTIN: So you think they have better opportunity at the present time?

MR. KROCKER: They are not always protected, but I think by and large they probably have a better opportunity.

COMMISSIONER MARTIN: And you think that situation and the protection they enjoy, as mentioned in relation to the container industry, that may have some definite relation to the widening of margins or spreads?

MR. KROCKER: Well, the duty, protection of the container industry -- we do not object to their having that protection on their containers, what we intended to point out was that the grower is at a disadvantage because -- that the Canadian grower is at a disadvantage because produce that is imported in such containers, there is no duty levied on the containers even though if they were imported individually, or as empty containers there would be a fairly high duty on them, but if they come into the country containing vegetables then they are not taxed. There is no duty on them.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1022 -

COMMISSIONER MARTIN: Is the duty not imposed on the total value of the product as packed? That is, per ad valorem instead of per unit?

MR. KROCKER: On some vegetables during the off season, when the Canadian industry is not in production, then there is an ad valorem duty during that part of the season. When we are in production then the duty is a specific duty per pound of the product and then the container does not enter into the picture. With potatoes the duty is per one hundredweight of potatoes regardless of what type of package. Potatoes may come into Canada in 10-pound bags packed in a mesh window kraft bag with a handle on it that costs in Canada about  $6\frac{1}{2}$  cents.

There may be only one hundredweight, there may be 15 or 20 cents duty that would be imposed if these containers came in as empty containers, but they come in duty free when they are filled with potatoes. That is the point that we are making there. We do not object to the container industry given protection. We just feel that people who are themselves getting protection should not object if the growers also have some protection against the unfortunate situation which frequently happens.

COMMISSIONER MARTIN: On page 2 in your recommendations you start with this one, that you recommend that complete fully enforced grade inspection at producer level should be instituted. Do





you mean by this grade inspection at the farm?

MR. KROCKER: Well at any rate before they reach the wholesaler. I wonder if it is agreeable to you if I pass the answer of this question to Mr. Daman?

MR. DAMAN: Mr. Chairman, Mrs. Walton, gentlemen, I will try to answer the question. We in the fruit and vegetable industry have been very concerned at the view brought forward by the Food Inspection Service which is tending to go away from inspection at the primary producer level.

We feel that it is much better to do a job of inspection before the product is finally put into distributed trade. It is much easier and certainly much cheaper to do an adequate inspection job at that level. We feel that the retail inspection should be supplementary to the inspection at the primary producer level, and we do feel that ungraded produce shipped, for instance, from the Maritimes into Winnipeg, if there was inspection at the primary level, the shipping point level, it would be much better than to ship this produce from New Brunswick to Winnipeg, we will say, and then go out in the distribution channels to the retail trade and then be put under detention at that point. There is so much extra cost involved by that time that we feel that the inspection should be stressed at the shipping point level rather than at the retail level.





COMMISSIONER MARTIN: How do you think this could be applied to fresh vegetables produced for, I should say the Winnipeg market, for instance, with grade inspection at producer level?

MR. DAMAN: It could be very definitely be done. It has been done in other provinces where they do have inspection stations. The product is inspected before it is sold to the wholesale trade.

COMMISSIONER MARTIN: You do not have enough of those inspection stations here?

MR. DAMAN: That is not general across Canada, no; we do not have any in Winnipeg.

COMMISSIONER MARTIN: And you think that the fully enforced grade inspection at producer level may have a real influence on price spreads because of the losses that can be avoided, and so on?

MR. DAMAN: Very definitely.

COMMISSIONER MARTIN: Is that your point of view?

MR. DAMAN: Very definitely so, yes.

COMMISSIONER MARTIN: Now, in No. 2 recommendation you say that orderly marketing of primary agricultural products through producer marketing boards should be improved and supported, and you say -- you mention after that, with such orderly marketing you may be in a position to save some services and minimize the cost of marketing your products. I am asking you the question on this point





because we have heard in other parts different opinions from yours, so would like, if you do not mind, maybe put a little more emphasis on that?

MR. KROCKER: I would ask Mr. Brown to answer that question.

MR. BROWN: Mr. Chairman, Mrs. Walton and gentlemen: under the present system we have a great number -- shall we call them middleman -- who take the raw product, the primary product, for instance, potatoes, and some of them have equipment that is fairly large and expensive that can handle the large volume of the product at a low cost, while others do it by hand in a very primitive method, and the cost naturally is much higher. Whereas, under the Marketing Board set-up, with the large cooperatives, the potatoes and other vegetables could be put through large processing machines, and so forth, and the cost per unit would be knocked down very, very considerably.

COMMISSIONER MARTIN: Mr. Chairman, that is all the questions I have to ask.

THE CHAIRMAN: What legislation is there in the province with respect to marketing boards?

MR. BROWN: There is the National Products Act in Manitoba, and there are in most provinces I believe, but there is in Manitoba, in fact there was a plebiscite held on the vegetable marketing board in Manitoba just recently. It was defeated.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1026 -

There is the Act here.

THE CHAIRMAN: What are the conditions required for the adoption of marketing boards under this legislation?

MR. BROWN: It is 60 per cent of the consumers must vote in favour of it.

THE CHAIRMAN: How is the consumer determined?

MR. BROWN: Anyone who grows under the -- if there was anyone who grew four acres or more of vegetables. Now for other products it would be different, for eggs and poultry and beef and so forth. For vegetables it was four acres or more.

THE CHAIRMAN: When did you say the plebiscite was taken?

MR. BROWN: In the early part of March.

THE CHAIRMAN: Was that vote recorded?

MR. BROWN: It was 450 and 300 something. It was 55 per cent in favour. The total of those eligible to vote, it had to be 60 per cent. We had 55 per cent. We didn't quite make it. It is not just those who vote but those who are eligible to vote.

THE CHAIRMAN: Your organization was behind this?

MR. BROWN: We promoted it, yes.

COMMISSIONER WALTON: I just wondered -- an observation was made a few minutes ago that the





producers were disorganized or kept from organizing because of the consumer, and I was wondering if there had been specific instances, or consumer organizations, or if you could amplify that statement?

MR. KROCKER: Well, in connection with the matter that was just brought up, the marketing boards, the Association of Consumers, I understand, objected to a marketing board, and we feel that if the true picture with respect to marketing boards were known to the consumer in general and the advantages that would accrue to them through getting better graded products, uniform products, that had been processed at a much lower cost, that they would possibly not be as antagonistic as they are.

I think it is a matter both of having full information. We believe that where marketing boards have been conducted efficiently that they do work out to the advantage of the consumer.

COMMISSIONER WALTON: On this matter of grades, you have used two or three times the example of potatoes. When they are labelled Canada No. 1 that is a Dominion regulation and that applies to you, too, but did I gather you feel -- or the impression I have was that you do not have standards of graded vegetables for the Manitoba consumer? Was that impression wrong?

MR. KROCKER: We do have standards, but unless there is strict enforcement at all levels of





trade these standards become a pretty empty theory. No standard means anything unless there enforcement of it. Just as speed laws mean nothing if there are not enforcement officers, and we as producers feel that these grade standards should be strictly enforced, and I think that possibly one of the most important points, as far as we are concerned, is a strict compulsory inspection of grade standards at the primary level before they get into trade channels and before all these losses are compounded.

All the transportation on poor grade merchandise that eventually gets thrown out, and all the labour and reprocessing and rehandling involved in taking it back from the retailers, if they prove defective at the retail level, all these costs are added to the industry's cost, to the cost of the middleman, let us say, and they are reflected in either producer returns or higher consumer costs.

COMMISSIONER WALTON: Should not the producer be assuming some of the responsibility, if he is in a commercial venture and there are regulations on marketing? If he is not observing them and they land back in his hands, that is not being very efficient, is it?

MR. KROCKER: No, it is not efficient.

COMMISSIONER WALTON: Do you not have at least some sort of system in Manitoba -- I can only speak from my own experience in Ontario, but when I





grew and shipped No. 1 tomatoes to our wholesaler there were inspectors at the wholesaler and more than that the wholesaler would not accept it if they knew they were not No. 1; so that there was an industry which knew grading and not only that but there were inspectors in these wholesalers and they would detain shipments, whether it was apples or tomatoes, that were not No. 1 grade if they were labelled such grade. Do you not have such a compulsory labelling here? You must have No. 1 potatoes or No. 2 potatoes.

MR. KROCKER: Yes, we do.

COMMISSIONER WALTON: Or No. 1 things?

MR. KROCKER: Yes.

COMMISSIONER WALTON: And it is the inspection they lack perhaps more than the grading?

MR. DAMAN: I think, Mrs. Walton and Mr. Chairman, I can answer that. That is one of the things we are complaining at in this retail inspection versus primary producer inspection.

The retail inspectors, I feel, have a tendency to go out to the large retail distribution outlets and can honestly say they have covered eighty or eighty-five per cent of the trade in covering it, but there are certainly a lot of discrepancies in the smaller retail outlets, possibly, where the coverage is not as effective. They do not do a thorough job of covering. I think in many instances there certainly is in some of the smaller organizations of





distribution in this particular area -- there certainly is a lot of below grade products being put into the trade channels that certainly is not good for the consumers and certainly is not good for the producers.

MR. BROWN: May I just add something to that? You were speaking of inspectors being at the wholesale level when you delivered your tomatoes or apples?

COMMISSIONER WALTON: Yes.

MR. BROWN: The trend today is away from that. In Manitoba there are not enough federal government inspectors. They cannot be at every wholesaler in the city. In Ontario I believe it was compulsory at the time of which you are speaking but the federal government trend today is to drop all this inspection at that level, of which you were speaking, and inspect entirely at the retail level or at the store. The grower, the wholesaler and the middleman would be eliminated. That is the tendency that the federal government has now.

COMMISSIONER WALTON: Do you think that tendency is adding to the cost of the spread?

MR. BROWN: I think it would, yes, very definitely.

COMMISSIONER WALTON: Because of the producers sending them in not up to grade?

MR. DAMAN: That is right, very definitely.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1031 -

If a bag of potatoes or a case of tomatoes and either the bag or the case is marked No. 1 and the quality is there the middleman does not have to take this little bit extra to ensure himself of that. The price the grower would get would be fairly high because all the quality is the same. There will be a minimum of handling by the middleman and retailer so the consumer should not be paying that much more and that naturally would bring the spread down. That is why we want to see that inspection in.

THE CHAIRMAN: This must be leading us to inspection at all the levels because we listened to the beef producers and their complaint is that it is graded beef before the consumer level and there is no grading at the consumer level and they complain that they are not getting the advantages of grading. Your complaint is that it is being done at the consumer's level but not being done at the primary level so apparently the only answer to satisfy everybody is to inspect at each step, which could be very costly, I should think.

MR. KROCKER: No. We will be happy, Mr. Chairman, to have inspection at all levels. We feel inspection at the primary level is the most important one and the others should be supplementary to it.

We do not object to retail inspection as an inspection that is supplemental to the initial primary inspection but they are not in this federal





Fruit and Vegetable Division, their departmental policy-making level, the trend there has been to cut out the compulsory shipping point inspection and to substitute for it this retail inspection.

We think that is a real backward step and there is no question in our minds but that it will increase the losses to the middleman and the middleman will naturally have to compensate for those losses by taking a higher margin, a greater margin, which may be reflected against the consumer or the producer or both. We do not know just where it will go but eventually both of them pay for it.

THE CHAIRMAN: We are not asked to state whether the margins are too small. We are asked to look at that and if they seem to be too much to suggest something but we have no authority, of which I know, to make them bigger than they are.

We understand your point.

COMMISSIONER DRUMMOND: Mr. Krocke, apropos of this matter that has just been under discussion, the proper location for grading, do I understand that you mean that by having the grading done at the primary level you thereby prevent produce from going forward which should not go forward and which would involve costly handling all the way?

MR. KROCKER: That is right.

COMMISSIONER DRUMMOND: And by doing so you think you are saving in the spread which will take place?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1033 -

MR. KROCKER: Yes. Generally speaking the safer the operation of the middleman the smaller he will make that spread. Competition eventually will narrow that spread.

COMMISSIONER DRUMMOND: How do you feel about this: supposing the kind of grading that you would like actually did take place at the primary level, to what extent do you think there would be the necessity for expanding further grading at any other level?

MR. KROCKER: The products which we have, as far as we are concerned, are quite perishable products. Their condition may change. Potatoes may green, for instance, if they are in plastic bags and are on the grocer's shelves for too long; they become green and in time become unfit for human consumption. There is a proper field for retail inspection.

COMMISSIONER DRUMMOND: Your suggestion, which would involve marketing at two or three levels, would add to the total cost of grading, would it not?

MR. KROCKER: By grading do you mean inspection?

COMMISSIONER DRUMMOND: Yes, I am sorry. You now have inspection only at one level, say the retail level. You have to have or want to get primary level as well. There will be an extra cost involved in doing the grading itself.

MR. KROCKER: It is a cost that would be only a small fraction of the saving.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1034 -

COMMISSIONER DRUMMOND: That is the next question I was coming to. Your view is that the savings that will result would far more than compensate for any additional cost incurred?

MR. KROCKER: Yes.

MR. DAMAN: Could I possibly answer that this way? We do feel that the cheapest and most effective place to inspect is at the primary level. Certainly that would be cheaper than stressing inspection at the retail level. It would take expenditure to do the same job at the retail level than it would with a combination of both.

COMMISSIONER DRUMMOND: Just for the purpose of clarification, can you tell us the extent to which you are interested in grading vegetables in the fresh state as distinct from vegetables in the processed state?

MR. DAMAN: You mean our Association? We are marketing -- I would say -- ninety per cent of this product is being sold in its fresh state. By processing you mean potatoes made into chips or tomatoes made into ketchup and so forth?

COMMISSIONER DRUMMOND: Yes.

MR. DAMAN: There is very little of that done in the Winnipeg area. I would think there is a canner over at Morden and another one at Winkler; Campbell Soups at Portage, but personally I would say 85 per cent of our membership is from the fresh market,





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1035 -

as we call it.

THE CHAIRMAN: Are the growers, who ship to the Winkler Co-operative, members of your Association?

MR. DAMAN: Winkler?

THE CHAIRMAN: There is, I understand, a cannery at Winkler?

MR. DAMAN: Yes.

THE CHAIRMAN: Are the growers who ship to that Co-op members of your Association?

MR. BROWN: Some of them are, yes.

MR. KROCKER: We have a membership among the growers of the Morden Canners or the Canadian Canners or the Winkler Co-operative Prairie Canners. We have in our Association three general sections, a potato section, a summer vegetable section and canning crops section. The canning crops division membership is mostly within the Winkler-Morden area.

COMMISSIONER DRUMMOND: You mention, I think, on the first page that primary producers would like bargaining powers. Then over on page 3 you suggest that the producers would benefit through the operation of marketing boards. I am wondering if one of the reasons you would be kind of agitating for marketing boards would be to improve the producer's bargaining power?

MR. KROCKER: That is one of the chief reasons.





COMMISSIONER DRUMMOND: Would it be bargaining power when disposing of vegetables for processing?

MR. KROCKER: Not primarily. The bargaining power, I think, could be properly stated as being in taking surpluses off the market at a time when they occur and holding them over for a time when there is a place for marketing them. Orderly marketing, you would call it, orderly placing of these products on the market.

COMMISSIONER DRUMMOND: That advantage, along with the other savings which you outlined, you feel would result from the creation and operation of marketing boards?

MR. KROCKER: Yes.

COMMISSIONER DRUMMOND: Just one other question, I think, and that is in respect to these containers.

I think in explaining the different sizes of containers for potatoes you mentioned there were 75-pound boxes and all the way down to 5-pound containers. If I followed you correctly it seems to me you were saying that when you used the 5-pound container for five pounds of potatoes the cost of the container was relatively high compared to when you bought a container for 10 pounds or 25 pounds? Is that correct; so it is not only the cost of the product but the cost of the container that becomes more





expensive as you sell in smaller quantities?

MR. KROCKER: As well as the cost of placing it in that container because all packaging, quite aside from the cost of the container, does become very expensive in the smaller package.

COMMISSIONER DRUMMOND: I quite realize that. I had not heard before the specific statement affecting the cost of the container itself being so high as the size of the container is smaller. If that is the case I think it is very important to know.

THE CHAIRMAN: I think perhaps we have covered the ground adequately, Mr. Krocker. I would like to assure you we appreciate this presentation which we have had this afternoon.

We shall recess for a few minutes before hearing from the Consumers Association.

---Short recess.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1038 -

SUBMISSION OF  
CANADIAN ASSOCIATION OF CONSUMERS  
MANITOBA BRANCH

THE CHAIRMAN: Come to order, please.

We will hear the submission from the Manitoba Branch of the Canadian Association of Consumers, to be presented by Dr. Isabel MacArthur. You have, I think, some members of your Association with you. If you would introduce them, please.

DR. MACARTHUR: Yes. I am vice-president of the Manitoba Branch, and this is Mrs. Alan Tarr, who is another vice-president of the Manitoba Branch and Mrs. E. J. Stansfield, who is a member of our Board, sir.

THE CHAIRMAN: Your brief will be Exhibit No. 22.

---EXHIBIT NO. 22: Submission of the Manitoba Branch, Canadian Association of Consumers.

THE CHAIRMAN: Would you care to read your brief, please?

DR. MACARTHUR: Yes.

To The Chairman and members of the Royal Commission on Price Spreads of Food Products.

Lady and gentlemen: As representatives of the Manitoba branch of the Canadian Association of Consumers we wish to express our appreciation for this





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1039 -

opportunity of appearing before you during this public hearing to present our views.

Our organization is the Manitoba Branch of the Canadian Association of Consumers which was formed in the spring of 1947 by outstanding Canadian Women's Organizations with the aim of developing a more enlightened opinion on economic affairs and consumer interests and to express this opinion in such a way as to benefit the home, the community, and the nation. It is a voluntary, independent, democratic organization completely controlled by the women who are and who become members of it. Our branch was formed in the fall of 1947 to represent the consumers of Manitoba. The membership includes individual members, local groups and the members of affiliating women's organizations.

Since the formation of our association we have gone on record as being seriously concerned about the increase in the cost of living, particularly in connection with the prices of major food commodities. At the organizational meeting in 1947 five resolutions were adopted which later were embodied in a brief presented to the Federal Government. At that time it was felt that the general price picture could not be considered without relation to the spread in prices between producer and consumer. Our delegates emphasized, too, that a study of prices and standards must go hand in hand in order to achieve a balanced





price-quality relationship. Therefore we welcome the appointment of this Royal Commission which we hope will do what we had considered essential in 1947.

It has been suggested to us that one of the useful contributions we can make is to suggest to this Commission particular situations related to the Terms of Reference of the Commission into which we feel the Commission could inquire. We assume that, as consumers, we are not expected to do a heavy job of gathering and presenting statistical evidence in an expert manner. Therefore we believe we can best serve by:

1. pointing out the lack of information, accurate or otherwise, on the spread between consumers' prices and prices paid to primary producers. (This refers to No. 4 of the particular Terms of Reference which are set out in P.C.1957-1632), and
2. by raising questions for which we hope the Commission can find the answers.

In our quest for information that would assist us in dealing with the Terms of Reference we have searched along many avenues only to come to a "dead end" each time. The replies we have received are "that information is not available"; "very little research is being done"; no figures are available on price spreads





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1041 -

for your area"; there is no basis on which to set up a standard of 'fair and reasonable' by which a spread can be judged"; "it would take one of our girls two months to get those figures for you". We have attempted over a period of time to discover reasons for the spreads but have found it impossible because of the lack of published information.

General questions which we feel are applicable in the study of spread in prices concerning food products of agricultural and fisheries origins are as follows:

Winnipeg Free Press, Friday, November 8, 1957

Potatoes from Maritimes underselling Home

Grown as prices Climb Steadily

By Norah Cherry

Manitoba grown potatoes are increasing in price. A ten pound bag of netted gem potatoes has risen from 55 to 65 cents. The majority of them are graded Canada No. 2. Ten pounds of Pontiac potatoes, unwashed and bagged in kraft, are 43 to 49 cents while the washed cello packaged Pontiacs are 59 cents. The quality of the Pontiacs is poor. On the other hand potatoes from New Brunswick, graded Canada No. 1, are priced at 43 cents for a ten pound bag. Despite the long freight haul they are underselling the local growers.

#### FRUITS

Apples: B.C. McIntosh show no price change





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1042 -

at 10 to 15¢ lb. The handi-pak carton sells for \$1.69 up. Ontario McIntosh are available at a few stalls in 6 quart baskets, at 99¢. Wisconsin McIntosh are the same price as the B.C. Jonathon apples remain at 13¢ lb. and Delicious at 20¢ lb.

Avocados: large size reduced in price at the cash and carry stalls to 25¢ each. Down 15¢.

Bananas: no price change at 23¢ lb.

Cranberries: from Cape Cod, price increase this week of 5¢ lb., now selling for 33¢.

Grapes: Red Emperor grapes are 18 to 27¢ lb. The green seedless are 23¢ lb. up and the Black where available are 30 to 32¢ lb.

Grapefruit: reduced in price this week as the Florida crop becomes more abundant, now selling for 6 to 15¢ each. Sweet and juicy, these are a good buy.

Kumquats: priced at 65¢ per quart basket. Make excellent preserves or are good raw in salads.

Melons: Honeydew variety are 69¢ for the whole melon. Casaba melons are 29¢ lb. No cantaloupe available.

Oranges: Florida, newly arrived on the market stalls are 13¢ lb. or 59¢ per dozen. California Valencias are priced from 33 to 75¢ per dozen.

Pears: Oregon Bartlett pears where available are 25¢ lb., and the B.C. D'Anjou remain at 20¢ lb. The D'Anjous are in need of further ripening.

Pomegranates: priced from 12 to 20¢ each.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1043 -

## VEGETABLES

Artichokes: not available this week.

Beans: green only, expensive at 39 to 42¢  
lb. Quality only fair.

Beets: local, no price change at 3 lbs.  
for 19¢.

Broccoli: good quality priced at 25 to 29¢  
lb.

Brussels Sprouts: priced at 23 to 27¢ lb.  
Good quality in the bulk sprouts, the cello packaged  
sprouts are yellow and spotted.

Cabbage: Manitoba winter keeping graded  
Canada No. 1 is 5¢ lb. Firm heads with little coarse  
rib. The red cabbage, small heads remain at 10 to 12¢  
lb. Chinese cabbage is 16¢ lb.

Carrots: imported carrots are 20¢ per  
bunch of 10. Local grown carrots, assorted sizes  
are 10¢ lb. The 20 oz. cello package is 18 to 22¢  
and the 3 lb. cello bag is 35¢.

Cauliflower: local grown is 25 to 29¢  
per head. This week will see the last of the local,  
even now some imported cauliflower is meeting the de-  
mand.

Celery: priced at 17 to 19¢ lb. for the  
bulk, crisp and green. The cello packages of 2  
hearts each, imported are priced from 29 to 39¢.

Cucumbers: imported, medium sized, waxed,  
priced at 23¢ lb. Good flavour and quality.





ANGUS, STONEHOUSE & CO., LTD.  
TORONTO, ONTARIO

- 1044 -

Eggplant: no price change at 29 to 40¢

lb. Pick one that is smooth and firm.

Lettuce: The California lettuce is very rusty and a poor buy. Arizona lettuce is green, the heads are firm and crisp. The price is 20 to 25¢ lb.

Onions: cooking yellows are 8¢ lb., in cello they are 3 lbs. for 25 to 29¢. Spanish onions imported from the U.S.A. are 15¢ lb. or from Spain they are 15¢ each.

Parsnips: too expensive at 33¢ for a 24 oz. cello package.

Peas: imported, well filled pods, priced at 35¢ lb.

Peppers: green, firm and smooth, priced at 25 to 30¢ lb.

Spinach: imported in bulk at 25 to 30¢ lb. A 10 oz. cello package of cleaned, trimmed spinach is 33¢.

Squash: vegetable marrow is priced at 6¢ lb. Pumpkin is reduced in price at the majority of stalls to 4¢ lb. and all other varieties of squash remain at 8 to 10¢ lb. One lb. will serve 3.

Tomatoes: Ontario hot house tomatoes are 29¢ lb. Firm and ripe but small in size. Imported bulk tomatoes, medium to large size are 30 to 33¢ lb. The 14 oz. cartons of tomatoes are 25¢ up.

Turnips: priced at 5¢ lb. everywhere.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1045 -

## AN APPLE LEADS A COSTLY LIFE

What happens to the price of apples between the time they're bought in British Columbia and sold in Winnipeg?

William MacGillivray, deputy minister of agriculture in B. C., told the federal-provincial conference that there "should be a careful examination" of the price jump. He said growers get \$1.12 a box for apples that sell for \$4.35 in Winnipeg.

A Winnipeg fruit dealer had this to say about the difference:

The wholesaler in Winnipeg buys his apples in B. C. for \$2.40 a box from the Canadian Fruit Distributors Limited, a selling agent for the growers.

Freight costs to the city are \$1 a box, including eight cents for heating charges.

The wholesale price in Winnipeg is about \$3.75 to \$4 a box, with the wholesaler's profit ranging from 30 to 55 cents. The retailer makes about 50 cents a box.

(Local fruit dealers said B. C. McIntosh apples were selling here for about \$4.60 a box.)

One sidelight on costs, according to local dealers: An apple box costs the producer about 57 cents. In addition, the producer has to pay for cold storage charges, packing, wrapping paper and sundry costs.





What are the steps involved in the production of these food products? How much is required to produce them? What are the wages paid to help? What are the costs to the individual farmer or fisherman? How many middlemen figure in the preparation of these products for the consumer? What is the cost to each of them? What are the expenses in connection with distribution? Is there inefficiency in any area? How efficient are the grading systems? Is difference in price really comparable to difference in grade? How much does the consumer pay by way of special services? Are some of these services which are now provided just for show? In the matter of price spread is everyone getting a reasonable share?

The following are questions or comments on specific foods based in the light of our experience -- comments and complaints received from members of the Manitoba Branch of the Canadian Association of Consumers. We present these for your consideration.

Dairy Products: For many years the Manitoba Branch of the Canadian Association of Consumers has presented briefs to various hearings of the Manitoba Milk Control Board, when increases in price have been asked for by the producers or distributors. In our most recent submission we pointed out that Dominion Bureau of Statistics figures indicated, with the exception of the Ontario markets, that the price difference between what producers received in the Winnipeg market





and what Winnipeg consumers paid for standard milk delivered to their homes was the highest in Canada. We failed to understand why the distributors, who already enjoyed this high spread, should have received an additional price from the consumers. Is this not a fertile field for further study on price spreads? We, in Manitoba, feel that economies in distribution could be made through selling milk in larger containers (as is successfully being done in another area of Canada), as well as in a coordination of delivery services. Despite being unable to prevent the price from continually rising we have at least achieved a two-cent differential in the price of a quart of milk carried home from the store compared to the price of a quart of milk delivered to the door.

Sir, with your permission, I would like to submit a copy of our last brief that was submitted to the Manitoba Milk Control Board.

THE CHAIRMAN: Is this a lengthy document?

DR. MacARTHUR: It is just to support it for your record. It might be of help in further study.

THE CHAIRMAN: Yes.

---EXHIBIT NO. 22a:

Submission of the Canadian Association of Consumers, Manitoba Branch, to the Manitoba Milk Control Board at the public meeting held October 10, 1957.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1048 -

Fruits and Vegetables: From the December 9th, 1955, issue of the Winnipeg Free Press the following excerpt is taken"

"What happens to the price of apples  
"between the time they're bought in  
"British Columbia and sold in Winnipeg?  
"The deputy minister of agriculture in  
"B.C. told the federal-provincial con-  
ference that there 'should be a careful  
"examination' of the price jump. He  
"said growers get \$1.12 a box for apples  
"that sell in Winnipeg for \$4.35 . . ."

Mr. Chairman, this was the correspondence. We did write to our Deputy Minister to see if there was any difference in his views at that time. Would you like to hear his letter?

THE CHAIRMAN: Not if it is completely in support of that statement.

DR. MacARTHUR: Well, it is to the effect that he has passed it on to someone else. I haven't received the answer.

THE CHAIRMAN: I do not think it will be necessary to file it.

DR. MacARTHUR: Once again there is need for investigation. How shall we assess this mark-up in price? Is it due to the characteristics of the product; to processing; to care taken in storage? Is there a monopoly? Are we in Winnipeg paying for





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1049 -

the support of the B. C. marketing board? Would it be better to have fruits in season at reasonable prices than all year round at higher prices?

In our study on Vegetables we have had drawn to our attention the fact that in the fall of 1957, New Brunswick Canada No. 1 white potatoes were underselling Manitoba Pontiac potatoes. (See attached newspaper clipping). How can this be when freight rates are a factor in the New Brunswick price? How can Manitoba produce and foreign produce both retail at the same price to consumers when the foreign product comes into Manitoba bearing the additional costs of tariffs and freight rates? Manitoba is in the geographical position of having to be an importing province with regard to food stuffs during the greater part of the year. Thus we must be very conscious of the freight rate structure and tariffs. Does our Manitoba producer benefit from this position at the expense of the consumer, or is the middleman receiving more than his share of the price spread? At periods of the year when Manitoba produce is not available why should there be tariff rates on imports which add to the price paid by consumer?

Honey: From the provincial apiarist we have learned that:

The producer receives 15 cents a pound for honey.

The consumer pays 27 cents for a pound tin





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1050 -

of honey.

The 12-cent spread is divided 4 cents each for container, packaging and the trade.

We do not feel there is a problem here but what is our standard for measuring this? If this is a fair and reasonable price does it mean that their honey co-op, which is voluntary, keeps the costs down?

Meats: The only active research at the present time which is related to this topic is being carried on by the Department of Agricultural Economics, Faculty of Agriculture and Home Economics, University of Manitoba. In the accompanying chart on the Distribution of the Consumer's Beef Dollar 1935-1956 we see the breakdown of the dollar.

I would like to make three comments on this chart. The first is that between 1952 and 1955 the packer's spread seems to be greater than it has been before or after; (b) that the retail spread increases from 1955 to 1956; and (c) that the marketing percentage is fairly constant throughout the whole chart.

However, we are unable to discover any figures on these spreads. We recommend to the Commission that this is a matter to be looked into. We suggest also that the costs of these various services be compiled on a continuing basis.

Eggs: Government regulations cover temperatures at grading stations and in wholesale storage but





there is no way to control the handling in retail stores except by consumer demand. In some cases, graded products are improperly stored, with resulting loss in grade before the food reaches the consumer. Eggs are a case in point. Grade A eggs may be kept by the retailer under inadequate refrigeration with the result that when the consumer buys them, they are no longer Grade A. In this instance the consumer is paying Grade A prices for what are possibly Grade B or C eggs. Does such a condition not create an unfair price spread? Our investigation of the packaging of eggs also indicated that the cost is unduly high.

Fish: We were unable to secure figures relating to prices paid to the fishermen in terms readily understood by a consumer. We realize that there may be as many variations in the prices paid to producers for fish as there are lakes in Manitoba. However, it is our impression in talking with consumers that there may be a great spread between producer and consumer prices. Thus we ask the Commission to investigate the apparent spread.

Sugar: We have been asked many times why our Manitoba sugar is not available at a cent or two per pound less than British Columbia or Alberta sugar, particularly when freight rates would not appear to be a major factor?

Advertising, etc.: It is common knowledge that





billions of dollars are spent annually in persuading people to buy through the use of advertising, radio and TV, premiums, coupons, cash register receipts and promotional schemes. Because of the complexity of modern methods of merchandising and without adequate statistical information about such methods of merchandising, consumers have no way of determining the extent to which living costs are affected. Thus consumers wonder and wish to know whether certain types of advertising and promotional schemes have contributed to the upward trend of retail prices.

Services: Many retailers now buy vegetables ready packaged, either from wholesalers or from other firms that make a specialty of packaging. This work may be done locally or in other provinces or even another country. Formerly the retailers handled the produce themselves. Do retailers find it more economical to operate in this manner? Does this reduction of waste in handling, in the cost of labour, materials and other overhead, reach the consumer in the form of lower prices for produce? Or if you wish to put it the other way, the higher price to the producer.

We would be interested in knowing at what times of the season the price spreads are smaller so we, as consumers, can better decide when we should secure produce for freezing or storage.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1053 -

published by the Federal Department of Agriculture, which contains tables dealing with the farm share of retail price. This, however, is on a dominionwide basis and is totally inadequate from a provincial point of view. It is a sample of the form in which some material is prepared, copies of which are not frequently found in the average consumer's home -- nor presented in a manner easily understood by the consumer.

We have discovered that very little research is being done in this area of price spreads. Research is time-consuming and expensive. Grants are necessary from both industry and government to do this. The Commission, at the present time, is the only body capable of securing the necessary facts and figures of actual costs at all levels -- producer - wholesaler - jobber - retailer - and consumer.

There is a great need to interpret research so it can be used for consumer education through various channels of communication, e.g. the writing of bulletins in an easy, readable, catchy manner giving the facts at all levels. Sir, we do have samples of two that have come to our attention that might be of use to you. Would you like me to file them?

THE CHAIRMAN: I think we would be quite interested in seeing how to deal with this subject in a catchy manner.

DR. MacARTHUR: I wouldn't call it catchy.





. . . press releases which would reach thousands of consumers through the daily and weekly papers, and I have one such form here, sir.

---EXHIBIT NO. 22b:      Table dealing with "Effect of prices on consumption of milk".

DR. MacARTHUR:      . . . the use of radio and TV in reports to the consumer; articles in Canadian magazines that can be found in the average home.

As members of the Manitoba Branch of the Canadian Association of Consumers, we are most anxious to secure reliable information in order to help consumers, not only to buy wisely, but to understand the reasons why prices are what they are. If we, who have worked on the preparation of this brief, have encountered difficulties in obtaining facts to enlighten us on this subject of price spreads, how much more in the dark are the average consumers.

In summation we have

1. pointed out the lack of price information currently available;
2. raised general questions in relation to food price spreads; and
3. raised specific questions in this field relating to a selected number of foods.

We wish to express our thanks to the





Commission Chairman and Members for the opportunity given to present this brief.

Respectfully submitted,

(Dr.) Isabel MacArthur,  
Chairman

Committee

Mrs. M. Auld	Mrs. D. A. Newey
Mrs. Mary Dafoe	Mrs. R. F. Peterson
Mrs. E. Feniak	Mrs. E. J. Stansfield
Mrs. R. Moffatt	Mrs. Alan Tarr

THE CHAIRMAN: Thank you, Dr. MacArthur.

May I just refer to your reference on page 1 to the problem which you have encountered for gathering or presenting statistical evidence.

We fully appreciate this problem, and as I have mentioned on other occasions we are going to pursue our own inquiries in this area ourselves. We hope to be staffed adequately to follow up all of the points which are being raised in here, so we are grateful to you for raising questions which we will do our best to deal with.

Mrs. Walton will ask you a few questions.

COMMISSIONER WALTON: On page 2 under your heading of Dairy Products -- and I believe you have filed with the Commission a recent brief that was presented about milk?

DR. MACARTHUR: Yes, we have.

COMMISSIONER WALTON: Has the information in that brief, or would you care to amplify, or do you have figures -- I don't know just which way but





you say here:

"We failed to understand why the distributors, who already enjoyed this high spread, should have received an additional price from the consumers."

In your own investigations, or in your own brief, did you find what you considered a high spread to the distributors?

DR. MacARTHUR: Sir, may I have Mrs. Stanfield answer that?

MRS. STANFIELD: Mrs. Walton, Mr. Chairman, in our brief that we filed with you we presented a statement printed in the Manitoba Co-operator in its issue of September 5th, 1957.

This was a comprehensive study of the prices of milk over the whole of Canada based on the findings of the Dominion Bureau of Statistics. This survey shows that with the exception of the Ontario markets the price of milk between what producers receive in Winnipeg and what Winnipeg consumers pay for standard milk delivered to their homes is the highest in Canada with the exception of Ontario markets, and in that brief we have set forth the prices to consumers through Alberta, Saskatchewan and Manitoba as being a more suitable basis than the whole of Canada, prices, consumer prices, to producer and spreads.

COMMISSIONER WALTON: This is on the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1057 -

Dominion Bureau of Statistics figures?

MRS. STANFIELD: Yes.

COMMISSIONER WALTON: That was the information I was trying to get.

MRS. STANFIELD: Sorry to take so much time.

COMMISSIONER WALTON: If you had any special figures that we haven't known of.

MRS. TARR: We couldn't get other figures. That was our problem. We had to use those.

COMMISSIONER WALTON: I notice that Winnipeg has a 2-cent differential in its store of milk that is marketed. Have you in your brief or in your investigation either benefited the milk producer to the extent that it -- do you have any way of knowing whether this increased consumption of milk -- have you facts or figures or would you make any observation that way?

MRS. STANFIELD: May I file with you a table showing the effect of prices on the consumption of milk, and showing how the store sales have increased since the introduction of the 2-cent differential?

DR. MacARTHUR: Have we permission?

COMMISSIONER WALTON: I think if we had that filed it might perhaps help us.

Dr. MacArthur, on the bottom of the page since we have been here the implication seemed to be





otherwise, but we have been talking about potatoes, and it looks as if your Association has expressed or implied concern with your Manitoba producers. You say does our Manitoba producer benefit from this position. It has been implied perhaps there is friction between producer and consumer, as we heard today, and that a consumer is not interested as a consumer without perhaps relating her own personal feelings to the other segments of our economy.

DR. MacARTHUR: Well, Mr. Chairman, Mrs. Walton, yesterday afternoon the representative of the Manitoba Farmers Union would have you believe that we were prejudiced against the farmer, and that we were not willing for the farmer to receive his fair share of the consumer dollar. I think that he specifically mentioned that when the price of bread was raised there were no objections, but if it had been indicated that the farmer was to get that two-cent rise then the consumer would be up in arms, and more or less belligerently against the farmer. A consumer is one who consumes, and it may mean to eat or drink, and that relates to food, and I would like to suggest that there are still people in this world who do not come under the title of consumer, and if the representative from the Manitoba Farmers Union is describing himself as he feels that way, well that is his privilege, but I certainly object to him applying his idea right across





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1059 -

the board, and I think that from our brief you will see that we are really interested and desirous that all segments receive their fair share of the consumer's dollar.

Most of us either have friends on farms or have been on farms ourselves or have relatives on farms, and I do not think it is fair to say that we are against the farmer.

MRS. TARR: In relation to that, our beef with regard to potatoes has been on quality as much as price.

THE CHAIRMAN: You have a Milk Control Board?

DR. MacARTHUR: Yes, sir.

THE CHAIRMAN: What prices does it establish?

DR. MacARTHUR: Well, my understanding, sir, is that it establishes the high and the low, the maximum and the minimum, and in between that the producer and the distributor is supposed to decide what prices they want but the Milk Control Board is really financed by a set price or a levy against producers and distributors, and we feel that maybe sometimes they look to those that supply them with their income rather than to a more impartial body.

MRS. TARR: There is no consumer representative on their Board.

THE CHAIRMAN: You would like to see





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1060 -

consumer representation?

DR. MacARTHUR: I would like to see it made a government agency where they don't have strings attached and all these other things, and can be impartial.

THE CHAIRMAN: I think you are correct; as I understand it, they set a minimum price to the producer and a maximum price to the consumer?

DR. MacARTHUR: Yes.

MRS. STANFIELD: Sorry I have to interrupt, Mr. Chairman, but the fact that there is a floor to the producer and a price ceiling for the consumer is the result, the direct result, of the efforts of the Canadian Association of Consumers.

It has been quite noticeable in all these hearings how we keep returning to the year 1951. Now, on the chart that we have filed with you it shows there that 1951 was a very important year in the milk industry because it was at that point that the Milk Control Board Act, the Milk Control Act, was amended to allow for a floor to producers, and if there is to be a section of that in there for the producers, and if there is to be a protection of any nature for the producers, the Canadian Association of Consumers felt that there should be some guarantee that the price would not soar out of reach for the consumer, so a ceiling was established between the floor and the ceiling. There was to be competition





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1061 -

between the price paid to the producers. The distributors and the producers were to decide between the floor and the ceiling what the price should be. That was the direct result of the recommendation of the Manitoba Branch of the Canadian Association of Consumers.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1062 -

THE CHAIRMAN: I gather you are supporting this principle of the minimum price and maximum price?

MRS. STANFIELD: Yes, sir. We would be very pleased to, provided that they were not to make applications for constantly raising the ceilings.

THE CHAIRMAN: When were the minimum and maximum last changed?

DR. MacARTHUR: October 1st, sir, 1957.

MRS. STANFIELD: That is the time we filed the brief.

THE CHAIRMAN: I have not had a chance to read this. Were they both changed at that time?

DR. MacARTHUR: The consumer price was; yes, they were both changed.

THE CHAIRMAN: Both the floor and the ceiling were raised at that time?

DR. MacARTHUR: Yes.

MRS. STANFIELD: A fraction of a cent went to one part of the industry and the other fraction went to others.

THE CHAIRMAN: I should point out milk control is a provincial problem and there are differences between the provinces and this seems to be a provincial matter but we are interested in some of the principles involved.

COMMISSIONER WALTON: You say that your





investigation of the packaging of eggs also indicated that the cost is unduly high. Are those facts something that we can perhaps have tabled with us? Did you have research or again was this from statistics that perhaps have been quoted from the Dominion Bureau of Statistics?

DR. MacARTHUR: These were not figures that were quoted in Dominion Bureau of Statistics. This was one of our committee members getting information from Mr. Monkhouse of the Manitoba Dairy and Poultry Co-operative on the price of the package, and individual cartons are 3 to  $3\frac{1}{2}$  cents each. We felt, when they are just thrown away, that is out of proportion.

COMMISSIONER WALTON: This is the package itself?

DR. MacARTHUR: That is the egg crate.

COMMISSIONER WALTON: You feel that is out of proportion and it widens the margin between the producer and what the consumer pays?

DR. MacARTHUR: Yes.

COMMISSIONER WALTON: On the section under advertising you ask the question whether certain types of advertising and promotional schemes have contributed to the upward trend of retail prices. Could you just perhaps indicate the types of advertising that you wish to have the Commission have on record that you feel might be a factor?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1064 -

DR. MacARTHUR: Mrs. Walton, since the preparation of this brief we have received additional information concerning the advertising. May I quote from this?

This was a letter to the manufacturers of food serials as well as to those of soap and soap products, and in reply to our protest -- letters of protest to manufacturers of soaps and detergents and packaged cereals, we have been assured repeatedly that the use of various premiums and toys add only a fractional amount to the unit cost of these products.

These assurances did not carry conviction to the members of our branches and associated groups but we were not in a position to dispute such statements until we discovered that the Dominion Bureau of Statistics report, reference paper No. 67, to the industry and merchandising division of the federal department, Department of Commerce, on advertising expenses in Canada in 1954, and on page 13 of that report, Table 8, it indicates that the ratio of advertising expenditures to sales for food products was 11.26 per cent. This is a startling contrast to the percentage reported by other industries which have an overall average of 1.07 per cent, sir, so that it would indicate that we have a point there.

COMMISSIONER WALTON: Would you like us to look into that one, too?

I just have one observation on page 4, in





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1065 -

the second paragraph, when you say you would be interested in knowing at what time of the season the price spreads are smaller so that you could better decide when you could secure produce for freezing and storage. May I ask you this question: would it not be the selling price largely at the time, at the top of the season? Do you mean the consumer's cost?

MRS. STANFIELD: We think, Mrs. Walton, that probably the consumers would like to have some kind of service that is offered somewhere that will keep them informed of the price at such and such a time and will say there is going to be material, food material available, that the season is coming in, because a lot of people don't know. Our city dwellers just do not know.

COMMISSIONER WALTON: There is a lot of information of that kind but it would not be necessarily the price spread that would interest most consumers. I would think it would be the price and time of the season.

MRS. STANFIELD: Yes.

COMMISSIONER WALTON: You feel there is inadequate information given?

DR. MacARTHUR: We feel that it could be--

COMMISSIONER WALTON: We always can in the summertime, not the wintertime.

DR. MacARTHUR: Yes. We feel that there





was a sort of season for those things and if we had information, for instance, that asparagus was at the top quality and the best price and that would be the time we would go out and maybe get fifteen or thirty pounds if we had a freezer and freeze them.

COMMISSIONER WALTON: There is quite a bit of information on farm services' quotations on radio and that sort of thing. I have heard of them personally.

DR. MacARTHUR: We felt that it did not always get down to the consumer level -- the information in official channels did not always get down to the level of the consumer.

COMMISSIONER WALTON: I think that is all.

COMMISSIONER MacKICHAN: Just one question, Dr. Stewart. In respect to this whole question of advertising, having in mind, if you will agree, that the Canadian stomach is being quite well satisfied, if not overworked, and that the most of us are not going hungry to bed, isn't this whole advertising and all the expenditure just a battle for the consumer's food dollar? They are talking about increasing sales by advertising.

One specific part of the food industry may increase, but the general overall is that you are not just going to eat more than you are eating now in Canada.

MRS. TARR: There is a saturation point.





DR. MacARTHUR: When this came to our attention we were interested in pointing out that some foods are so out of all proportion, and that must necessarily add to the spread between the producer and the consumer somewhere along the line. They have put it off and said it only adds a fraction to the package, but in this case it will be more than a fraction.

COMMISSIONER MacKICHAN: On this maximum and minimum are you operating at both ends of the scale now?

DR. MacARTHUR: Yes. I don't know whether I should refer to this. It was quite interesting in the comment made yesterday when it was asked whether they were not pricing themselves out of the milk field and people were turning to powdered milk.

MRS. STANFIELD: We were very much interested in that statement made by the Minister of Agriculture yesterday on the question of pricing one's self out of the market. For the last ten years the Canadian Association of Consumers has been pointing out that fact at every milk hearing in connection with the marketing of fluid milk, and we are happy to know that the head of the agricultural industry in Manitoba is finally realizing what will happen if prices go too high. The same thing will apply to butter, forcing people to buy margarine.





We were happy to hear that our educational work had penetrated to the high level of the government.

COMMISSIONER MARTIN: On page 4, the first complete paragraph you have there, you say that you would be interested in knowing at what times of the season the price spreads are smaller so that you, as consumers, can better decide when you should secure produce for freezing or storage. I think probably all middlemen will be as happy as you to know when the spreads will be smaller. I don't know if, as the farmers are on the selling side, they will be too happy to see that happen.

What is your reaction? What do you think from the point of view of the producers who are not ready to sell their produce at the lowest price because on the other side their cost of production is going higher as they say?

DR. MacARTHUR: I suppose we felt we would like to know when the height of the season was.

THE CHAIRMAN: I would certainly feel that if this information is not available it would be very helpful to have it known, because one of the things is that if the price was coming down that would help to raise the price.

COMMISSIONER COUVRETTE: Mr. Chairman, on page 4, that paragraph concerning the fact that





this information is on a dominion-wide basis and is totally inadequate from a provincial point of view. I believe, unless I err, that the provincial authorities have the right, through their own trade services, departments, to have statistics. Once you feel that information is needed for provincial matters, it would be easier than to get it through the provincial authorities than suggest it should be added to the dominion government service.

DR. MacARTHUR: Well, sir, going back to page 1, where we tried to seek information, I gave you the kinds of answers we received, and it was brought to our attention that some information was through the Economic Analysis, but on looking it over it wasn't very helpful to us.

COMMISSIONER COUVRETTE: Perhaps I didn't make myself clear. You want some more information on regions, statistics?

DR. MacARTHUR: Yes.

COMMISSIONER COUVRETTE: And you suggest through this paragraph here that the federal government should be asked to add this service to its services, that is dominion-wide as to information?

DR. MacARTHUR: Well, sir, we were not actually asking, we were stating that we knew this kind of material was available, but we don't think it was too helpful to provincial consumers.

COMMISSIONER COUVRETTE: If I understand





the paragraph, you mean by that that you don't have any sufficient information to know what is going on in your own region or province.

DR. MacARTHUR: Yes, that is right.

COMMISSIONER COUVRETTE: Well, would it not be the provincial government's -- I won't say duty -- task to give you that service on local statistics from a regional level?

DR. MacARTHUR: We didn't go into whether it would be provincial or federal, just as long as we got it.

COMMISSIONER COUVRETTE: It might be easier to get it locally on a local situation like that one.

DR. MacARTHUR: We did try to get it, and it wasn't forthcoming,

COMMISSIONER DRUMMOND: Dr. MacArthur, first in respect to this milk situation, you do suggest here quite definitely that in your opinion economies in distribution could be made in the distribution of milk in the province if they used larger containers. What did you have in mind when you used that phrase?

DR. MacARTHUR: Large containers -- in Ontario, I think, they come in two-quart or gallon containers.

COMMISSIONER WALTON: Three-quart and two-quart in retail stores.

COMMISSIONER DRUMMOND: Thus far there has been no serious suggestion about these containers being





put into use here.

DR. MacARTHUR: We understand that until there is great pressure brought to bear they are quite happy with what there is.

MRS. STANFIELD: Year after year we have suggested to the distributors that this would be a means of reducing the cost to the consumers if we could buy four quarters for the price of three, for instance, but it is very hard to make any impression.

COMMISSIONER DRUMMOND: Have you made any calculation as to the percentage of consumers who might be able to buy milk in these large containers?

DR. MacARTHUR: No, sir, we haven't done that.

COMMISSIONER DRUMMOND: Along the same line, I wondered what you meant by "coordination of delivery services".

DR. MacARTHUR: What we had in mind there is that the delivery trucks were going up and down the same road. Why couldn't there be one delivery service going down there and he has all the different types there and you can have all the milk you want?

COMMISSIONER DRUMMOND: You mention also further down on page 2 -- in fact, you ask a question: "Would it better to have fruits in season at reasonable prices than all the year round at higher prices?" Do you think your own consumer would prefer to have reasonable prices in season or ---





DR. MacARTHUR: Well, some of them have expressed the view that this might be better. We know that there are places where they are holding -- at least they are experimenting with the holding of apples until maybe April, May, when the market is low, the supply is low, and then they can get a dollar more a bushel. That is what we had in the back of our minds in connection with that.

MRS. TARR: We pay almost the same in the fall for our B. C. apples as we do in the winter, and it doesn't seem right that they should be selling at the same price as they are in the fall.

COMMISSIONER DRUMMOND: You realize, of course, that it costs money to store them?

MRS. TARR: Yes, that is right.

DR. MacARTHUR: You would expect to pay more, but in the fall you would expect there to be some little difference in the price.

MRS. TARR: If they would encourage them to eat them in season, and they are better for them, they are fresh.

COMMISSIONER DRUMMOND: You prefer to have them fresh in the fall?

MRS. TARR: We have had that expressed to us by consumers.

COMMISSIONER DRUMMOND: It is common knowledge, of course, these days that quite a number of market services have been added in recent years.





Now since all these additional services cost money, they add to the width of the spread. I wondered what your view is towards it? Do you think they are necessary or desirable or do you feel that you would be inclined to recommend that they should be reduced in number?

DR. MacARTHUR: Well, sir, we question that because just from what was said this morning, I mean, apparently we consumers are demanding all these extra things. I don't think it is our demand of them. A lot of the people trying to merchandise their product in a more attractive way to compete with somebody else, they have been the ones to put it in and are demanding it. Maybe because they are there to buy them, we buy them. Maybe we are too gullible.

COMMISSIONER WALTON: On the question that was raised just ahead of you, the observation was made about the packaging of potatoes in clear, visual bags. Have you had suggestions it is a more expensive package than the kraft, but is it because the consumer has felt that she couldn't see what she is getting; when she did get them home it wasn't enough -- do you think that this preference for the clear bag is that she can see it? It is more costly. Have you any explanation to give as to this?

DR. MacARTHUR: I think maybe that is one





of the things, that you can see what you are getting and in many instances you haven't too much faith in the fact that it says a Grade No. 1 and they have got into it and found that it really, I think, felt that it wasn't a Grade No. 1 and that they would sort of like to see.

Going back to that 75-pound as the cheaper way of buying potatoes, well personally I know that the larger amount is a cheaper way to buy, but there are only two of us and we never use 75 pounds of potatoes. They can be rotten by the time I get them in the back of the car and get them home and down into the cellar. So of necessity I have to buy a smaller amount and I do not buy them from choice because I know I am paying more.

COMMISSIONER WALTON: It does cost more in the smaller unit?

DR. MacARTHUR: Yes.

MRS. TARR: The point Mrs. Walton is trying to make is we have these plastic bags because the consumer has demanded them; is that the point?

COMMISSIONER WALTON: No, it was the fact that ties in with the grading here, and it was implied that the Manitoba, some of its fresh produce it wasn't adequately inspected so that the customers just distrusted, maybe that is the reason that New Brunswick potatoes are so popular here. I don't





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1075 -

know the answer.

MRS. PARR: Just giving a personal example. When Mrs. Stanfield and I attended a very nice meeting of the Potato Growers Association a year ago, they had a wonderful display of Manitoba potatoes at the meeting, and I said to one of the gentlemen afterwards why can't we see potatoes like this in our stores? He turned one over that was cut in half and there was a great big hole in the centre of it. Our protests to the potato growers have been on quality continually.

COMMISSIONER WALTON: It is a factor, of course.

MRS. STANFIELD: Our protests, Mrs. Walton, have been specifically with the grading at all levels. The people here buy Canada No. 1. We feel it should be a certain standard. Now, few consumers know the tolerance in those grades and we are trying to educate them to that in our educational work, but the result is that people say why can I go into the store and buy Canada No. 1 potatoes and get a different product?

We agree with the vegetable growers that the grading system is most inadequate. If we are going to have an inspector on every farm, not every farm but at the farm level, we are going to have a tremendous army of inspectors.

COMMISSIONER WALTON: And the cost would go up?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 1076 -

MRS. STANFIELD: Yes.

COMMISSIONER DRUMMOND: One more question as a follow-up to what I asked before. What I am really interested in is you have a choice, apparently, a choice between paying a higher price when you get extra services with the commodities, or on the other hand paying a smaller price or lower price without the services.

What I want to know is how your members feel, which of these two choices would you care to have?

DR. MacARTHUR: Well, sir, I think it stems back to the thought that we have raised questions. We would like to know what these various services cost.

MRS. PARR: Are we getting our money's worth for these services?

DR. MacARTHUR: Is it worth while? If it is raising the price out of proportion then we have some ammunition to try and educate our members, but we don't know. We haven't those figures.

COMMISSIONER DRUMMOND: But you are -- or are you -- primarily interested in the most reasonable possible price?

DR. MacARTHUR: On good quality, yes.

COMMISSIONER DRUMMOND: Do I take it that you want a reasonable price but at the same time the best possible quality and the most possible





services?

DR. MacARTHUR: Well, I mean it goes right back again that we are willing for everybody to have their fair share, but we do not want to be -- I mean we want to know what we are paying for, and at the present time we don't, and I mean if the services are good, if those are things that we feel to the benefit of the product that we are buying, then I am sure we are willing to pay for them, but if they are not and if they are just advertising added to the cost and we don't get anything out of it, then we object to it.

MRS. STANFIELD: Dr. Drummond, I think a lot of our members feel that we are paying, in the West anyway -- there are so many diseases coming with potatoes we don't know when we buy a quantity of potatoes when we take them home if diseases will develop. That prevents us from going into large purchases. We all realize the importance of the unit price, and our members are really sharp buyers, I think most of them, but there is this thing that keeps coming up that because of the poor grade we are paying for these things anyway, therefore we want better grading but do not want to have to wait until everybody agrees that the inspection should be better, whether or not the marketing board goes through.

COMMISSIONER DRUMMOND: I think I have cleared this point. You see, I am concerned about





the width of this spread, and as I mentioned before the amount of those services you buy, other things being equal, the more spread there is. I am thinking of ways and means of narrowing the spread. That is why I am asking these questions.

DR. MacARTHUR: I don't think it is necessary that each individual head of lettuce should be individually wrapped. I think that is the service that is not necessary, and certainly the consumer has not demanded that they be all nice individually wrapped up. That costs something for the individual wrapping of it and getting the stuff to wrap them up costs money. That is not necessary.

MRS. STANFIELD: Sir, aren't there industries which are concentrating on this -- whole bodies of people who are trying to merchandise goods in these fancy shapes? Sometimes they may be all to the good. They may pack better, and all the rest of it, but we realize that every one of these things adds to the cost, but just one point is we are going to pay more and whether it is necessary, we don't know.

THE CHAIRMAN: The main point is more information on the cost of these services; is that what you would like to have?

DR. MacARTHUR: Yes, sir.

COMMISSIONER KIDD: There is an indication in these hearings up to date that in some products





there may be a higher than normal, or a higher than average mark-up, but looking at your paragraph on eggs makes me wonder if there aren't some special problems connected with the handling of specific products, and that the mark-up might not justifiably be higher in handling certain products than another?

DR. MacARTHUR: Well, it may be, sir. I don't know.

COMMISSIONER KIDD: It would likely be that the retailer or the wholesaler or the handler, his mark-up, his average mark-up, is for his whole stock. We should consider possibly that rather than looking at individual products. What would you say as to that, or do you think we should stick to the items that may have the higher mark-up?

MRS. PARR: That is a good question.

DR. MacARTHUR: I don't think our thinking had gone quite along that line.

MRS. PARR: You understand we are trying to point out with regard to eggs. Some stores we go into and they have a dozen eggs sitting on the store counter with Grade A large size beside them, and Grade A price beside it. We go into another store and they will have perhaps Grade A eggs under refrigeration, and even the most stupid consumer realizes that the quality could not be the same. However, they are the same price. Consequently, doesn't that create an unfair price

Oct 1906. - D. C. - I am sending you a copy of the "Journal of the Royal Society of Medicine" for October, 1906.

The article by Dr. J. H. T. G. Smith on "The Treatment of Syphilis" is very interesting.

I have also enclosed a copy of the "Journal of the Royal Society of Medicine" for November, 1906, which contains an article by Dr. J. H. T. G. Smith on "The Treatment of Syphilis".

It is a good article and I hope you will find it interesting. It is written by Dr. J. H. T. G. Smith, who is a well-known authority on the subject of syphilis.

It is a good article and I hope you will find it interesting. It is written by Dr. J. H. T. G. Smith, who is a well-known authority on the subject of syphilis.



spread?

COMMISSIONER KIDD: You have given us quite a bit of work to do here. I just wondered if you want that additional job done that I suggested.

DR. MacARTHUR: Well, sir, we couldn't get the facts and figures so we thought the best thing we could do is raise questions and maybe assist in that way.

THE CHAIRMAN: We appreciate that very much. You have given us quite a lot to think about, and we will be applying ourselves to these various matters. We are grateful to you for raising them.

I do not think there are any further questions, so thank you very much.

We will now adjourn the hearings in Manitoba to open in Regina on Monday, the 21st of April, 1958.

---Whereupon the hearing adjourned at 4.35 p.m.











HANDBOUND  
AT THE



UNIVERSITY OF  
TORONTO PRESS

